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ABSTRACT

This guide is designed to assist schools with their Federal Family Education Loan Program (FFEL) and the William D. Ford Federal Direct Loan (Direct Loan) Program cohort default rate. The guide is a reference tool in understanding cohort default rates and processes. This guide incorporates two former guides, the "Draft Cohort Default Rate Guide" and the "Official Cohort Default Rate Guide," which previously were published separately. It also incorporates new regulations that became effective on July 1, 2001, is redesigned so that future changes can be handled by sending out supplements, and adds strategy and reference sections. Following Part 1, an introduction, Part 2 consists of six chapters. Five cover calculating cohort default rates, their effects, the loan record detail report, changes in status and evasion, and Department offices and addresses. The final chapter contains the tools to assist a school in reading a loan record detail report and detailed repayment information. Part 3, "Strategy," contains three chapters that deal with school cohort default rate strategies, data manager cohort default rate strategies, and various strategy-related tools. Part 4 discusses challenges, adjustments, and appeals in 11 chapters. An appendix contains relevant sections of the "Code of Federal Regulations." (Contains 110 figures.) (SLD)

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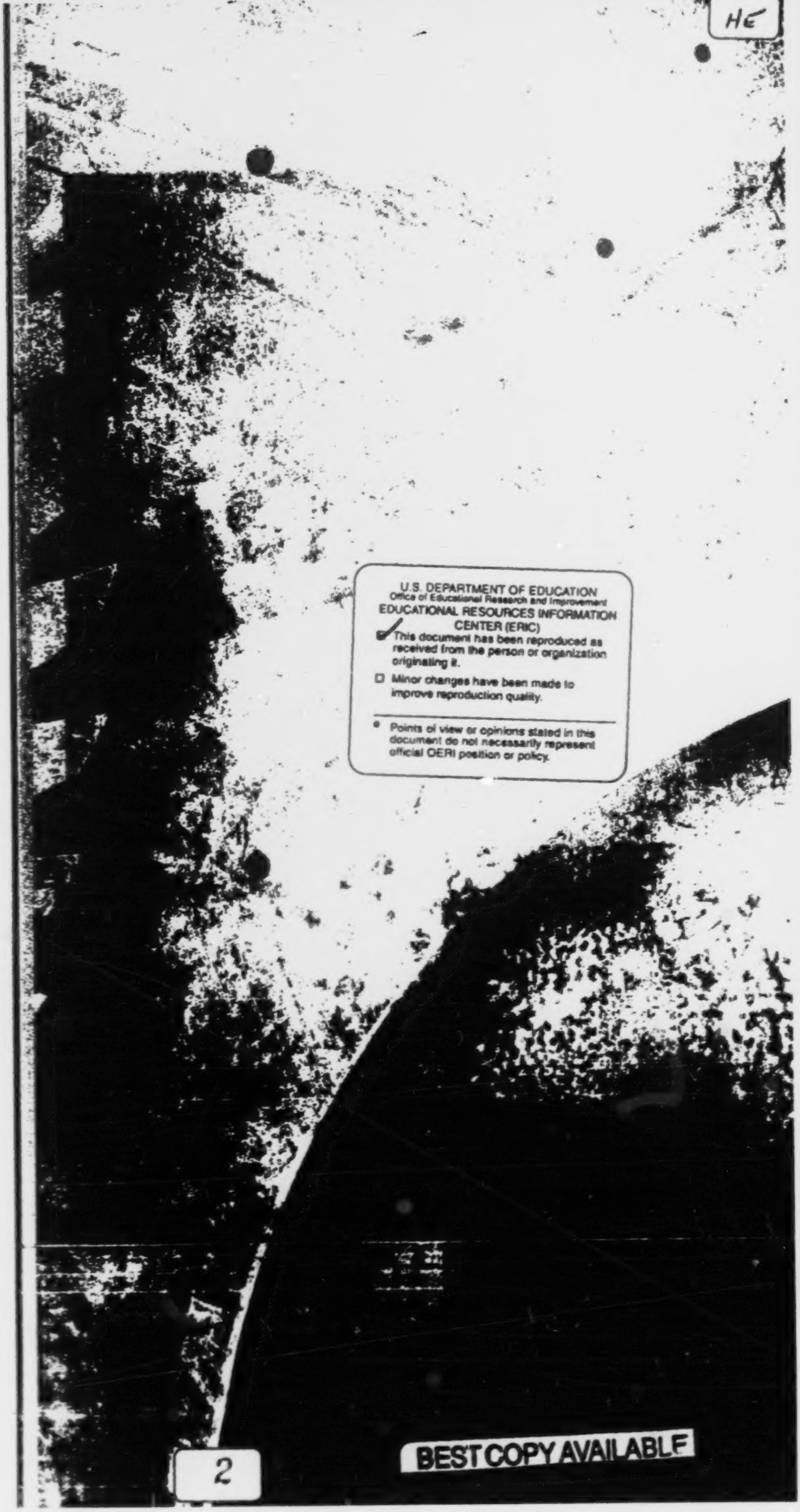

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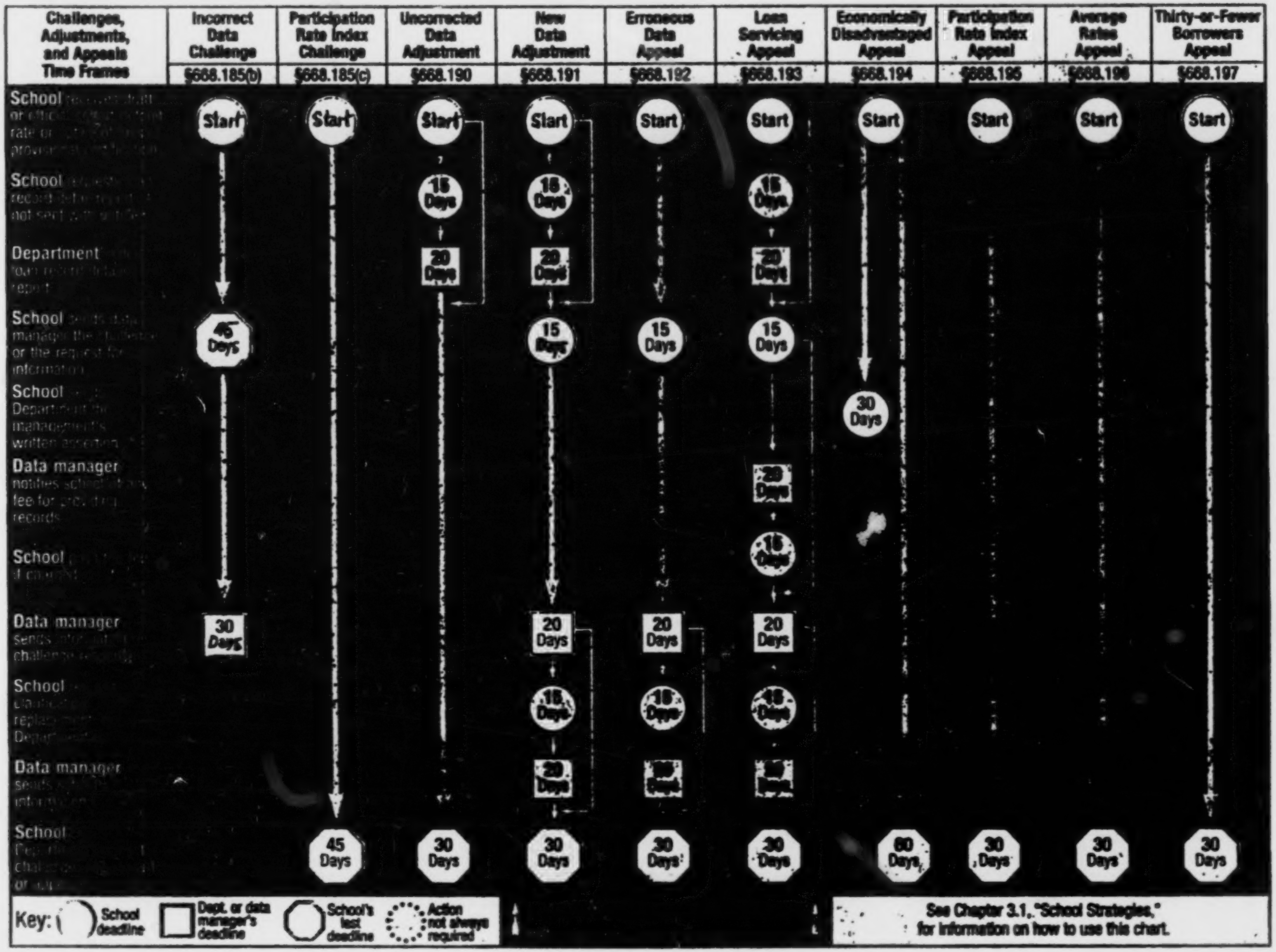
How to Use This Guide

If you fit this description:	Reference these areas of the Guide:
A school representative • not familiar with cohort default rates • looking for general information	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.1
A school representative • not familiar with cohort default rates • received a draft or official cohort default rate notification letter	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.1 then Part IV
A school representative • familiar with cohort default rates • received a draft or official cohort default rate notification letter	see Chapter 3.1 then Part IV
A school representative • not familiar with cohort default rates • looking for information on actions the school can take prior to the release of the draft or official cohort default rates	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.1
A school representative • familiar with cohort default rates • looking for information on actions the school can take prior to the release of the draft or official cohort default rates	see Chapter 3.1
A representative of a school contemplating a change in status	see Chapter 2.4
A representative of a school that has received a notice of provisional certification	see Chapter 4.5
A data manager representative • not familiar with cohort default rates • looking for general information	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.2
A data manager representative • not familiar with cohort default rates • looking for information about a specific challenge, adjustment, or appeal	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then See the relevant chapter in Part IV dealing with the specific challenge, adjustment, or appeal — Part IV
A data manager representative • familiar with cohort default rates • looking for information about a specific challenge, adjustment, or appeal	see See the relevant chapter in Part IV dealing with the specific challenge, adjustment, or appeal — Part IV



Challenges, Adjustments, and Appeals Time Frames	Incorrect Data Challenge §668.185(b)	Participation Rate Index Challenge §668.185(c)	Uncorrected Data Adjustment §668.190	New Data Adjustment §668.191	Erroneous Data Appeal §668.192	Loan Servicing Appeal §668.193	Economically Disadvantaged Appeal §668.194	Participation Rate Index Appeal §668.195	Average Rates Appeal §668.196	Thirty-or-Fewer Borrowers Appeal §668.197
School [illegible] or official [illegible] rate or [illegible] provisional [illegible]	Start	Start	Start	Start	Start	Start	Start	Start	Start	Start
School [illegible] record [illegible] not sent [illegible]			15 Days	15 Days		15 Days				
Department [illegible] loan record [illegible] report			20 Days	20 Days		20 Days				
School sends data manager the challenge or the request for information	45 Days			15 Days	15 Days	15 Days				
School [illegible] Department the management's written assertion							30 Days			
Data manager notifies school of any fee for providing records						20 Days				
School [illegible] if charged						15 Days				
Data manager sends [illegible] challenge [illegible]	30 Days			20 Days	20 Days	20 Days				
School [illegible] replace[illegible] Department				15 Days	15 Days	15 Days				
Data manager sends [illegible] information				20 Days	[illegible] Days	[illegible] Days				
School [illegible] challenge [illegible] or [illegible]		45 Days	30 Days	30 Days	30 Days	30 Days	60 Days	30 Days	30 Days	30 Days

Key: ( ) School deadline | ☐ Dept. or data manager's deadline | ⬡ School's last deadline | ◌ Action not always required

See Chapter 3.1, "School Strategies," for information on how to use this chart.

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COHORT DEFAULT RATE GUIDE

U.S.Department
of Education

Student Financial
Assistance

Default
Management

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Contents at a Glance

- Detailed Table of Contents
- Table of Figures

Part I Introduction

Chapter 1.1 Introduction

Part II General Information

Chapter 2.1 Calculating Cohort Default Rates
Chapter 2.2 Cohort Default Rate Effects
Chapter 2.3 Loan Record Detail Report
Chapter 2.4 Change in Status and Evasion
Chapter 2.5 Department Offices and Addresses
Chapter 2.6 General Information Tools

Part III Strategy

Chapter 3.1 School Strategies
Chapter 3.2 Data Manager Strategies
Chapter 3.3 Strategy Tools

Part IV Challenges, Adjustments, and Appeals

Chapter 4.1 Incorrect Data Challenge
Chapter 4.2 Participation Rate Index Challenge
Chapter 4.3 Uncorrected Data Adjustment
Chapter 4.4 New Data Adjustment
Chapter 4.5 Erroneous Data Appeal
Chapter 4.6 Loan Servicing Appeal
Chapter 4.7 Economically Disadvantaged Appeal
Chapter 4.8 Participation Rate Index Appeal
Chapter 4.9 Average Rates Appeal
Chapter 4.10 Thirty-or-Fewer Borrowers Appeal
Chapter 4.11 Challenge, Adjustment, and Appeal Tools

- Glossary
- Index of Key Terms
- Appendix A

Detailed Table of Contents

Part I Introduction

Chapter 1.1 Introduction

What is the "Cohort Default Rate Guide?" 1.1-1

What kind of cohort default rates are not covered in this Guide? 1.1-1

How is this Guide organized? 1.1-2

How does this version of the Guide differ from previous versions of the Guide? 1.1-3

How does a school or data manager use this Guide? 1.1-4

How can a school or data manager provide feedback on this Guide? 1.1-6

Part II General Information

Chapter 2.1 Calculating Cohort Default Rates

What is a cohort default rate? 2.1-1

Which types of loans are included in the cohort default rate calculation? 2.1-2

When are cohort default rates sent to schools? 2.1-3

Who receives cohort default rates? 2.1-3

What are the consequences of cohort default rates? 2.1-5

What are the time frames for cohort default rates? 2.1-6

How does the Department calculate a school's cohort default rate? 2.1-7

Which formula does the Department use to calculate a school's draft cohort default rate? 2.1-9

Which formula does the Department use to calculate a school's official cohort default rate? 2.1-9

What is an unofficial cohort default rate? 2.1-9

How does the Department determine which loans are placed in the denominator of the cohort default rate calculation? 2.1-9

How does the Department determine which loans are placed in the numerator of the cohort default rate calculation? 2.1-10

How do consolidation loans affect the numerator of the cohort default rate calculation? 2.1-11

How does loan rehabilitation affect the numerator of the cohort default rate calculation? 2.1-11

Are there any special circumstances that affect how a borrower will be included in the cohort default rate calculation? 2.1-12

What effects do Department actions have on the cohort default rate calculation? 2.1-16

Chapter
2.2

Cohort Default Rate Effects

Why are cohort default rates important? 2.2-1

Are there any sanctions or benefits associated with draft cohort default rates? 2.2-1

Will a school's draft cohort default rate and official cohort default rate be the same? 2.2-1

Are there any benefits for schools with low official cohort default rates? 2.2-2

Are there any sanctions associated with high official cohort default rates? 2.2-3

Can a school avoid the sanctions associated with high official cohort default rates? 2.2-4

Do cohort default rate sanctions apply to Historically Black Colleges or Universities, Tribally Controlled Community Colleges, and Navajo Community Colleges? 2.2-5

Are there any consequences if a school submits adjustments and/or appeals but fails to avoid sanctions? 2.2-5

If a school is subject to sanction, when does the sanction take effect? 2.2-6

How does a school withdraw from or reapply for participation in the Title IV loan programs? 2.2-7

Chapter 2.3

Loan Record Detail Report

What is a loan record detail report? 2.3-1

Why should a school review its loan record detail report? 2.3-1

Which schools receive hardcopy loan record detail reports? 2.3-2

What is an electronic loan record detail report? 2.3-3

Can a school request a hardcopy or electronic loan record detail report from the Department? 2.3-4

Are the loan record detail reports subject to the Privacy Act? 2.3-4

How does a school read a loan record detail report? 2.3-5

How does a school identify the data manager of a loan? 2.3-16

Chapter 2.4

Change in Status and Evasion

What is a change in status? 2.4-1

How does a school's change in status affect the school's cohort default rate? 2.4-2

What types of actions are considered attempts to evade cohort default rate consequences? 2.4-4

Chapter 2.5

Department Offices and Addresses

Introduction 2.5-1

Default Management 2.5-2

Case Management 2.5-3

Direct Loan Schools Relations 2.5-4

Other Department Offices 2.5-6

Chapter 2.6

General Information Tools

Instructions for Requesting Cohort Default Rates from the National Student Loan Data System (NSLDS) 2.6-1

General Information About the Electronic Loan Record Detail Report 2.6-1

Instructions for Requesting an Electronic Loan Record Detail Report 2.6-2

Electronic Loan Record Detail Extract File Layout and Detailed Repayment Information Extract File Layout 2.6-4

Alphabetical Data Manager Contacts 2.6-10

Numerical Data Manager Contacts 2.6-11

Part III Strategy

Chapter 3.1 School Strategies

Why should a school review this chapter? 3.1-1

What strategies can a school employ in relation to the release of the draft and official cohort default rates? 3.1-2

What is repayment information? 3.1-4

What are the benefits of reviewing repayment information? 3.1-4

What types of repayment information are available? 3.1-5

What actions can a school take to help process the draft and official cohort default rates? 3.1-6

How does a school prepare for the release of the cohort default rates? 3.1-6

When are cohort default rates sent to schools? 3.1-7

How does a school review its cohort default rate data? 3.1-8

How does a school determine if it should submit a challenge, adjustment, or appeal? 3.1-9

Why should a school that is not subject to sanction contest inaccurate data on the loan record detail report? 3.1-12

How does a school determine if there is inaccurate data on the loan record detail report? 3.1-13

How does a school contest inaccurate data on the loan record detail report? 3.1-14

How does a school contend that it has exceptional mitigating circumstances that should prevent the school from being subject to sanction due to its cohort default rate? 3.1-15

What are the time frames for submitting a challenge, adjustment, or appeal? 3.1-17

How does a school or data manager use the time frames chart? 3.1-17

Chapter 3.2 Data Manager Strategies

Why should a data manager review this chapter? 3.2-1

What strategies can a data manager employ before the release of the draft and official cohort default rates? 3.2-1

What strategies can a data manager employ to help process challenges, adjustments, and appeals? 3.2-2

What should a data manager do if it receives an incorrect submission from a school? 3.2-4

What should a data manager do if the school's challenge, adjustment, or appeal is successful? 3.2-5

How does a data manager keep the Department informed about its cohort default rate actions? 3.2-5

Chapter 3.3 Strategy Tools

Repayment Information Tools 3.3-1

What types of repayment information are available? 3.3-1

How does a school obtain summary repayment information? 3.3-2

How does a school obtain detailed repayment information? 3.3-3

How does a school read a detailed repayment information extract file? 3.3-7

Is repayment information subject to the Privacy Act? 3.3-7

School Tools 3.3-8

Data Manager Tools 3.3-10

Data Manager Monthly Status Report Instructions 3.3-10

Which Department address does a data manager use for submitting a monthly status report? 3.3-12

Full-Sized Blank Spreadsheets 3.3-12

Part IV Challenges, Adjustments, and Appeals

Chapter 4.1 Incorrect Data Challenge

What is an incorrect data challenge? 4.1-1

Which schools are eligible to submit an incorrect data challenge? 4.1-1

What benefit will a school gain from submitting an incorrect data challenge? 4.1-2

What roles do the Department and data managers have in a school's incorrect data challenge? 4.1-3

How does a school submit an incorrect data challenge? 4.1-4

How does a school identify the data manager of a loan? 4.1-6

How does a data manager respond to a school's incorrect data challenge? 4.1-6

Which Department address does a data manager use for submitting a copy of its incorrect data challenge response? 4.1-12

What does Default Management do with a data manager's incorrect data challenge response? 4.1-13

What does a school do with a data manager's incorrect data challenge response? 4.1-13

Chapter 4.2 Participation Rate Index Challenge

What is a participation rate index challenge? 4.2-1

Which cohort default rate can be used to determine a participation rate index challenge? 4.2-1

Which schools are eligible to submit a participation rate index challenge? 4.2-2

What benefit will a school gain from submitting a participation rate index challenge? 4.2-2

Are participation rate index challenges based on a specific period of time? 4.2-2

How does a school calculate its participation rate index? 4.2-4

Does a school need to wait until the draft cohort default rate is released to prepare its participation rate index challenge? 4.2-6

What roles do the Department and data managers have in a school's participation rate index challenge? 4.2-6

How does a school submit a participation rate index challenge? 4.2-7

Which Department address does a school use for submitting a participation rate index challenge? 4.2-8

What happens after the school submits the participation rate index challenge? 4.2-10

What happens to a school's participation rate index challenge after the release of the official cohort default rates? 4.2-10

Chapter 4.3

Uncorrected Data Adjustment

What is an uncorrected data adjustment? 4.3-1

Which schools are eligible to submit an uncorrected data adjustment? 4.3-2

What benefit will a school gain from submitting an uncorrected data adjustment? 4.3-2

What roles do data managers have in a school's uncorrected data adjustment? 4.3-2

How does a school submit an uncorrected data adjustment? 4.3-3

Which Department address does a school use for submitting an uncorrected data adjustment? 4.3-6

What happens after the school submits the uncorrected data adjustment? 4.3-6

Chapter 4.4 New Data Adjustment

What is a new data adjustment? 4.4-1

What is new data? 4.4-1

What if the new data is correct? 4.4-1

Which schools are eligible to submit a new data adjustment? 4.4-2

What benefit will a school gain from submitting a new data adjustment? 4.4-3

What roles do the Department and data managers have in a school's new data adjustment? 4.4-3

How does a school submit new data adjustment allegations to a data manager? 4.4-4

How does a school identify the data manager of a loan? 4.4-8

How does a data manager respond to a school's new data adjustment allegations? 4.4-8

Which Department address does a data manager use for submitting a copy of its new data adjustment allegations response? 4.4-12

What does a school do with the data manager's new data adjustment allegations response? 4.4-14

Which Department address does a school use for submitting a new data adjustment? 4.4-16

What happens after the school submits the new data adjustment? 4.4-16

Chapter 4.5

Erroneous Data Appeal

What is an erroneous data appeal? 4.5-1

What is new data? 4.5-1

What if the new data is correct? 4.5-1

What is disputed data? 4.5-2

Which schools are eligible to submit an erroneous data appeal? 4.5-2

What benefit will a school gain from submitting an erroneous data appeal? 4.5-3

What roles do the Department and data managers have in a school's erroneous data appeal? 4.5-3

How does a school submit erroneous data appeal allegations to a data manager? 4.5-4

How does a school identify the data manager of a loan? 4.5-8

How does a data manager respond to a school's erroneous data appeal allegations? 4.5-8

Which Department address does a data manager use for submitting a copy of its erroneous data appeal allegations response? 4.5-12

What does a school do with the data manager's erroneous data appeal allegations response? 4.5-14

Which Department address does a school use for submitting an erroneous data appeal? 4.5-18

What happens after the school submits the erroneous data appeal? 4.5-18

How does provisional certification affect a school's ability to submit an erroneous data appeal? 4.5-19

Chapter 4.6 Loan Servicing Appeal

What is a loan servicing appeal?.............. 4.6-1

When is a defaulted FFEL considered improperly serviced for cohort default rate purposes?.............. 4.6-1

When is a defaulted Direct Loan considered improperly serviced for cohort default rate purposes?.............. 4.6-2

Which schools are eligible to submit a loan servicing appeal?.............. 4.6-3

What benefit will a school gain from submitting a loan servicing appeal?.............. 4.6-3

What roles do the Department and data managers have in a school's loan servicing appeal?.............. 4.6-4

How does a school submit a request for loan servicing records?.............. 4.6-5

How does a school identify the data manager of a loan?.............. 4.6-6

What does a data manager do when it receives a school's request for loan servicing records?.............. 4.6-8

What if the data manager requires that a fee be paid to obtain loan servicing records?.............. 4.6-10

How does a data manager respond after determining that it is appropriate to send the loan servicing records?.............. 4.6-12

Which Department address does a data manager use for submitting a copy of the response to a request for loan servicing records?.............. 4.6-16

What does the school do with the data manager's response to the school's request for loan servicing records?.............. 4.6-16

Which Department address does a school use for submitting a loan servicing appeal?.............. 4.6-20

What happens after the school submits the loan servicing appeal?.............. 4.6-20

Chapter 4.7

Economically Disadvantaged Appeal

What is an economically disadvantaged appeal? 4.7-1

What benefit will a school gain from submitting an economically disadvantaged appeal? 4.7-1

Are economically disadvantaged appeals based on a specific period of time? 4.7-2

How does a school calculate its low income rate? 4.7-3

How does a non-degree-granting school calculate its placement rate? 4.7-4

How does a degree-granting school calculate its completion rate? 4.7-6

Does a school need to wait until it receives a notice of loss of eligibility to calculate its low income rate and placement rate or low income rate and completion rate? 4.7-8

How does a school submit an economically disadvantaged appeal? 4.7-8

Which Department address does a school use for submitting an economically disadvantaged appeal? 4.7-12

How does an independent auditor review the management's written assertion? 4.7-12

What happens after the school submits the independent auditor's written opinion? 4.7-16

What roles do data managers have in a school's economically disadvantaged appeal? 4.7-18

Chapter 4.8

Participation Rate Index Appeal

What is a participation rate index appeal? 4.8-1

Which cohort default rate can be used to determine a participation rate index appeal? 4.8-1

Which schools are eligible to submit a participation rate index appeal? 4.8-2

What benefit will a school gain from submitting a participation rate index appeal? 4.8-2

Are participation rate index appeals based on a specific period of time? 4.8-2

How does a school calculate its participation rate index? 4.8-4

Does a school need to wait until the official cohort default rate is released to prepare its participation rate index appeal? 4.8-6

What roles do the Department and data managers have in a school's participation rate index appeal? 4.8-6

How does a school submit a participation rate index appeal? 4.8-7

Which Department address does a school use for submitting a participation rate index appeal? 4.8-8

What happens after the school submits the participation rate index appeal? 4.8-10

Chapter 4.9 Average Rates Appeal

What is an average rates appeal? 4.9-1

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of three consecutive cohort default rates that are 25.0 percent or greater? 4.9-1

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of a cohort default rate that is greater than 40.0 percent? 4.9-2

How does the average rates appeal process begin? 4.9-2

What if a school disagrees with the initial determination by Default Management? 4.9-3

Which Department address does a school use for submitting an average rates appeal? 4.9-3

Chapter 4.10 Thirty-or-Fewer Borrowers Appeal

What is a thirty-or-fewer borrowers appeal? 4.10-1

How does a school qualify for a successful thirty-or-fewer borrowers appeal? 4.10-1

How does the thirty-or-fewer borrowers appeal process begin? 4.10-1

What if a school disagrees with the initial determination by Default Management? 4.10-2

Which Department address does a school use for submitting a thirty-or-fewer borrowers appeal? 4.10-2

Chapter 4.11 Challenge, Adjustment, and Appeal Tools

Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management? 4.11-1

Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools 4.11-2

What types of loan record detail report allegations may a school submit as a part of an incorrect data challenge, new data adjustment, or erroneous data appeal? 4.11-2

What supporting documentation does a school need to submit with its allegations? 4.11-2

Does a school need to submit loan record detail report pages with its allegations? 4.11-3

What specific allegations and supporting documentation can a school submit? 4.11-4

Spreadsheet Tools 4.11-9

General Spreadsheet Information 4.11-9

Incorrect Data Challenge / New Data Adjustment / Erroneous Data Appeal Spreadsheet Instructions 4.11-12

Participation Rate Index Spreadsheet Instructions 4.11-14

Uncorrected Data Adjustment / New Data Adjustment Spreadsheet Instructions 4.11-16

Loan Servicing Appeal Spreadsheet Instructions 4.11-18

Low Income Rate Spreadsheet Instructions 4.11-20

Placement Rate Spreadsheet Instructions 4.11-22

Completion Rate Spreadsheet Instructions 4.11-24

Full-Sized Blank Spreadsheets 4.11-26

Glossary

Index of Key Terms

22

Appendix A

Table of Figures

Figure 1.1.1 How to Use this Guide .... 1.1 - 4
User Comments on the Cohort Default Rate Guide .... 1.1 - 7

Figure 2.1.1 Time Frames for Cohort Default Rates .... 2.1 - 6
Figure 2.1.2 Special Circumstances Involving Schools .... 2.1 - 12
Figure 2.1.3 Special Circumstances Involving Repayment .... 2.1 - 13
Figure 2.1.4 Special Circumstances Involving Loans That Were Discharged, Canceled, or Refunded .... 2.1 - 14
Figure 2.1.5 Special Circumstances Involving Loans That Were Repurchased .... 2.1 - 15
Figure 2.1.6 Effects of Department Actions on Cohort Default Rate Calculation .... 2.1 - 16

Figure 2.2.1 Benefits for Schools with Low Official Cohort Default Rates .... 2.2 - 2
Figure 2.2.2 Sanctions for Schools with High Official Cohort Default Rates .... 2.2 - 3
Figure 2.2.3 Challenges, Adjustments, and Appeals Table .... 2.2 - 4
Figure 2.2.4 Effective Date of Sanctions .... 2.2 - 6

Figure 2.3.1 Loan Record Detail Reports at a Glance .... 2.3 - 3
Figure 2.3.2 Sample Loan Record Detail Report .... 2.3 - 5
Figure 2.3.3 Sample Loan Record Detail Report with Identifiers A-H .... 2.3 - 6
Figure 2.3.4 Academic Level Codes .... 2.3 - 7
Figure 2.3.5 Sample Loan Record Detail Report with Identifiers I-L .... 2.3 - 8
Figure 2.3.6 Loan Type Codes .... 2.3 - 8
Figure 2.3.7 Loan Status Codes .... 2.3 - 9
Figure 2.3.8 Sample Loan Record Detail Report with Identifiers M-R .... 2.3 - 10
Figure 2.3.9 Claim Reason Codes .... 2.3 - 10
Figure 2.3.10 Sample Loan Record Detail Report with Identifiers S-V .... 2.3 - 12
Figure 2.3.11 Enrollment Status Codes .... 2.3 - 12
Figure 2.3.12 Usage 1 Codes .... 2.3 - 13
Figure 2.3.13 Usage 2 Codes .... 2.3 - 13
Figure 2.3.14 Sample Loan Record Detail Report - Summary Section in Tan .... 2.3 - 14
Figure 2.3.15 Appealed Rate Flag Codes .... 2.3 - 15

Figure 2.4.1 Effect on Cohort Default Rates for Various Types of Changes in Status .... 2.4 - 2

Figure 2.5.1 Case Management Contacts .... 2.5 - 4
Figure 2.5.2 Direct Loan Schools Relations Contacts .... 2.5 - 5

Figure 2.6.1 Header Record Layout .... 2.6 - 5
Figure 2.6.2 Detail Record Layout .... 2.6 - 6-7
Figure 2.6.3 Trailer Record Layout .... 2.6 - 8-9
Figure 2.6.4 Alphabetical Data Manager Codes .... 2.6 - 10-11
Figure 2.6.5 Numerical Data Manager Contacts .... 2.6 - 12-19

Figure 3.1.1 Schools Eligible to Submit a Challenge, Adjustment, or Appeal .... 3.1 - 10-11
Figure 3.1.2 Sample School Records Spreadsheet .... 3.1 - 13
Figure 3.1.3 Challenges, Adjustments, and Appeals that Can Affect a School's Cohort Default Rate .... 3.1 - 14
Figure 3.1.4 Challenges and Appeals that Show a School Has Exceptional Mitigating Circumstances .... 3.1 - 15
Figure 3.1.5 Challenges, Adjustments, and Appeals Time Frames .... 3.1 - 16
Figure 3.1.6 Excerpt from Time Frame for Submitting a Loan Servicing Appeal .... 3.1 - 18

Figure 3.2.1 Sample Data Manager Monthly Status Report to Default Management .... 3.2 - 6

Figure 3.3.1 24-Month Periods Available to School in February 2004 .... 3.3 - 1
Figure 3.3.2 Blank School Records Spreadsheet .... 3.3 - 8
Figure 3.3.3 Blank Data Manager Monthly Status Report .... 3.3 - 10

Full-Sized Blank Spreadsheets at end of Chapter 3.3

School Records Spreadsheet –
Monthly Status Report

Figure 4.1.1 Time Frame for Submitting an Incorrect Data Challenge .... 4.1 - 1
Figure 4.1.2 Sample School Incorrect Data Challenge Spreadsheet to Data Manager .... 4.1 - 5
Figure 4.1.3 Sample School Incorrect Data Challenge Letter to Data Manager .... 4.1 - 7
Figure 4.1.4 Sample Data Manager Incorrect Data Challenge Response Spreadsheet to School ... 4.1 - 10
Figure 4.1.5 Sample Data Manager Incorrect Data Challenge Response Letter to School .... 4.1 - 11
School to Data Manager Incorrect Data Challenge Checklist .... 4.1 - 14
Data Manager to School Incorrect Data Challenge Checklist .... 4.1 - 14

Figure 4.2.1 Time Frame for Submitting a Participation Rate Index Challenge .... 4.2 - 1
Figure 4.2.2 Cohort Default Rates a School Can Use to Submit a Participation Rate Index Challenge .... 4.2 - 1
Figure 4.2.3 Date Ranges for Acceptable 12-Month Periods .... 4.2 - 3
Figure 4.2.4 Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001 .... 4.2 - 3
Figure 4.2.5 Sample School Participation Rate Index Challenge Spreadsheet to Default Management .... 4.2 - 7
Figure 4.2.6 Sample School Participation Rate Index Challenge Letter to Default Management .... 4.2 - 9
School to Default Management Participation Rate Index Challenge Checklist .... 4.2 - 10

Figure 4.3.1 Time Frame for Submitting an Uncorrected Data Adjustment .... 4.3 - 1
Figure 4.3.2 Sample School Uncorrected Data Adjustment Spreadsheet to Default Management .. 4.3 - 4
Figure 4.3.3 Sample School Uncorrected Data Adjustment Letter to Default Management .... 4.3 - 5
School to Default Management Uncorrected Data Adjustment Checklist .... 4.3 - 8

Figure 4.4.1 Time Frame for Submitting a New Data Adjustment .... 4.4 - 1
Figure 4.4.2 Sample School New Data Adjustment Allegations Spreadsheet to Data Manager ..... 4.4 - 5
Figure 4.4.3 Sample School New Data Adjustment Allegations Letter to Data Manager .... 4.4 - 7

Figure 4.4.4 Sample Data Manager New Data Adjustment Allegations Response Spreadsheet to School . . . . . 4.4 - 11
Figure 4.4.5 Sample Data Manager New Data Adjustment Allegations Response Letter to School . . . . . 4.4 - 13
Figure 4.4.6 Sample School New Data Adjustment Spreadsheet to Default Management . . . . . 4.4 - 15
Figure 4.4.7 Sample School New Data Adjustment Letter to Default Management . . . . . 4.4 - 17
School to Data Manager New Data Adjustment Checklist . . . . . 4.4 - 19
Data Manager to School New Data Adjustment Checklist . . . . . 4.4 - 19
School to Default Management New Data Adjustment Checklist . . . . . 4.4 - 20

Figure 4.5.1 Time Frame for Submitting an Erroneous Data Appeal . . . . . 4.5 - 1
Figure 4.5.2 Sample School Erroneous Data Appeal Allegations Spreadsheet to Data Manager . . . . . 4.5 - 5
Figure 4.5.3 Sample School Erroneous Data Appeal Allegations Letter to Data Manager . . . . . 4.5 - 7
Figure 4.5.4 Sample Data Manager Erroneous Data Appeal Allegations Response Spreadsheet to School . . . . . 4.5 - 11
Figure 4.5.5 Sample Data Manager Erroneous Data Appeal Allegations Response Letter to School . . . . . 4.5 - 13
Figure 4.5.6 Sample School Erroneous Data Appeal Spreadsheet to Default Management . . . . . 4.5 - 15
Figure 4.5.7 Sample School Erroneous Data Appeal Letter to Default Management . . . . . 4.5 - 17
School to Data Manager Erroneous Data Appeal Checklist . . . . . 4.5 - 21
Data Manager to School Erroneous Data Appeal Checklist . . . . . 4.5 - 22
School to Default Management Erroneous Data Appeal Checklist . . . . . 4.5 - 22

Figure 4.6.1 Time Frame for Submitting a Loan Servicing Appeal . . . . . 4.6 - 1
Figure 4.6.2 Sample School Letter Requesting Loan Servicing Records to Data Manager . . . . . 4.6 - 7
Figure 4.6.3 Sample Data Manager Payment Request for Loan Servicing Records Letter to School . . . . . 4.6 - 11
Figure 4.6.4 Sample Data Manager Response to a Request for Loan Servicing Records Spreadsheet to School . . . . . 4.6 - 12
Figure 4.6.5 Sample Data Manager Response to a Request for Loan Servicing Records Letter to School . . . . . 4.6 - 15
Figure 4.6.6 Sample School Loan Servicing Appeal Spreadsheet to Default Management . . . . . 4.6 - 18
Figure 4.6.7 Sample School Loan Servicing Appeal Letter to Default Management . . . . . 4.6 - 19
School to Data Manager Loan Servicing Appeal Checklist . . . . . 4.6 - 21
Data Manager to School Loan Servicing Appeal Checklist . . . . . 4.6 - 22
School to Default Management Loan Servicing Appeal Checklist . . . . . 4.6 - 22

Figure 4.7.1 Time Frame for Submitting an Economically Disadvantaged Appeal . . . . . 4.7 - 1
Figure 4.7.2 Date Ranges for Acceptable 12-Month Periods . . . . . 4.7 - 2
Figure 4.7.3 Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001 . . . . . 4.7 - 2
Figure 4.7.4 Sample School Low Income Rate Spreadsheet to Default Management . . . . . 4.7 - 8
Figure 4.7.5 Sample School Placement Rate Spreadsheet to Default Management . . . . . 4.7 - 9
Figure 4.7.6 Sample School Completion Rate Spreadsheet to Default Management . . . . . 4.7 - 9
Figure 4.7.7 Sample School Economically Disadvantaged Appeal Letter to Default Management . . . . . 4.7 - 11

Figure 4.7.8 Sample School Economically Disadvantaged Appeal Letter to Independent Auditor . . . . 4.7 - 13

Figure 4.7.9 Sample Written Opinion Letter from Independent Auditor to School . . . . 4.7 - 15

Figure 4.7.10 Sample School Independent Auditor's Written Opinion Submittal Letter to Default Management . . . . 4.7 - 17

School Economically Disadvantaged Appeal Checklist . . . . 4.7 - 19

Independent Auditor to School Economically Disadvantaged Appeal Checklist . . . . 4.7 - 19

Figure 4.8.1 Time Frame for Submitting a Participation Rate Index Appeal . . . . 4.8 - 1

Figure 4.8.2 Cohort Default Rates a School Can Use to Submit a Participation Rate Index Appeal . . . . 4.8 - 1

Figure 4.8.3 Date Ranges for Acceptable 12-Month Periods . . . . 4.8 - 3

Figure 4.8.4 Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001 . . . . 4.8 - 3

Figure 4.8.5 Sample School Participation Rate Index Appeal Spreadsheet to Default Management . . . . 4.8 - 7

Figure 4.8.6 Sample School Participation Rate Index Appeal Letter to Default Management . . . . 4.8 - 9

School to Default Management Participation Rate Index Appeal Checklist . . . . 4.8 - 10

Figure 4.9.1 Time Frame for Submitting an Average Rates Appeal . . . . 4.9 - 1

School to Default Management Average Rates Appeal Checklist . . . . 4.9 - 4

Figure 4.10.1 Time Frame for Submitting a Thirty-or-Fewer Borrowers Appeal . . . . 4.10 - 1

School to Default Management Thirty-or-Fewer Borrowers Appeal Checklist . . . . 4.10 - 2

Figure 4.11.1 Borrower Incorrectly Reported Due to Inaccurate Date Entered Repayment . . . . 4.11 - 5

Figure 4.11.2 Borrower Incorrectly Reported Due To Inaccurate Default Status . . . . 4.11 - 6

Figure 4.11.3 Borrower Incorrectly Reported Due To Multiple Loan Allegations . . . . 4.11 - 7

Figure 4.11.4 Borrower Incorrectly Included Allegations . . . . 4.11 - 8

Figure 4.11.5 Borrower Incorrectly Excluded Allegation . . . . 4.11 - 8

Figure 4.11.6 Blank Incorrect Data Challenge/New Data Adjustment/ Erroneous Data Appeal Spreadsheet . . . . 4.11 - 12

Figure 4.11.7 Blank Participation Rate Index Spreadsheet . . . . 4.11 - 14

Figure 4.11.8 Blank Uncorrected Data Adjustment/New Data Adjustment Spreadsheet . . . . 4.11 - 16

Figure 4.11.9 Blank Loan Servicing Appeal Spreadsheet . . . . 4.11 - 18

Figure 4.11.10 Blank Low Income Rate Spreadsheet . . . . 4.11 - 20

Figure 4.11.11 Blank Placement Rate Spreadsheet . . . . 4.11 - 22

Figure 4.11.12 Blank Completion Rate Spreadsheet . . . . 4.11 - 24

Full-Sized Blank Spreadsheets at end of Chapter 4.11

Incorrect Data Challenge / New Data Adjustment / Erroneous Data Appeal Spreadsheet

Participation Rate Index Spreadsheet

Uncorrected Data Adjustment / New Data Adjustment Spreadsheet

Loan Servicing Appeal Spreadsheet

Low Income Rate Spreadsheet

Placement Rate Spreadsheet

Completion Rate Spreadsheet

Part I

Introduction

Chapter 1.1 **Introduction**

Introduction

Chapter

1.1

What is the "Cohort Default Rate Guide?" 1.1-1

What kind of cohort default rates are not covered in this Guide? 1.1-1

How is this Guide organized? 1.1-2

How does this version of the Guide differ from previous versions of the Guide? 1.1-3

How does a school or data manager use this Guide? 1.1-4

How can a school or data manager provide feedback on this Guide? 1.1-6

Introduction

What is the "Cohort Default Rate Guide?"

The "Cohort Default Rate Guide" (Guide) is a publication that the U.S. Department of Education (the Department) designed to assist schools with their Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program cohort default rate data. This Guide should be used as a reference tool in understanding cohort default rates and processes. This Guide is effective until the Department withdraws it, changes it, or publishes other guidance. Therefore, do not discard this publication. An electronic version of this Guide is available at

http://sfa4schools.sfa.ed.gov

or

http://www.ifap.ed.gov

The information found in this Guide does not supersede or alter any regulatory or statutory requirements that are in effect. If the information in this Guide conflicts with the regulations or statute, the regulations and/or statute take precedence. The legislation authorizing the FFEL and Direct Loan programs can be found in Title IV of the Higher Education Act (HEA) of 1965, as amended. The regulations for cohort default rates are primarily in Subpart M of Section 668 of the Code of Federal Regulations (CFR).

What kind of cohort default rates are not covered in this Guide?

The Department also publishes FFEL cohort default rates for guaranty agencies and lenders. For information on guaranty agency and lender cohort default rates, call the Department at 1-202-401-7482 or visit the Department's website at

http://sfa4schools.sfa.ed.gov

or

http://www.ed.gov/offices/OSFAP/IGAL

In addition, the Department publishes Federal Perkins Loan Program cohort default rates for schools. For information on Federal Perkins Loan Program cohort default rates, call the Department at 1-202-708-7741.

How is this Guide organized?

The material in this Guide is organized into four parts. Each part is further divided into chapters. The four parts are

Part I Introduction

Part One consists of this introduction.

Part II General Information

Part Two consists of six chapters.

- Five of these chapters cover calculating cohort default rates (2.1), cohort default rate effects (2.2), the loan record detail report (2.3), change in status and evasion (2.4), and Department offices and addresses (2.5).
- The final chapter (2.6) contains various tools to assist a school in reading a loan record detail report and reading detailed repayment information. These tools include data manager codes and data manager contact information.

Part III Strategy

Part Three consists of three chapters.

- The first two chapters contain school cohort default rate strategies (3.1) and data manager cohort default rate strategies (3.2).
- The final chapter (3.3) contains various strategy-related tools. These tools include repayment information, school records spreadsheets, and data manager monthly status reports.

Part IV Challenges, Adjustments, and Appeals

Part Four consists of 11 chapters.

- The first eight chapters in Part Four deal with the eight types of challenges, adjustments, and appeals a school may initiate. The next two chapters (4.9 and 4.10) discuss the two types of appeals the Department usually initiates. All 10 of these chapters contain detailed discussions of the challenge, adjustment, or appeal that is the subject of the chapter.

- The final chapter (4.11) contains tools to assist a school when submitting a challenge, adjustment, or appeal and, when appropriate, tools to assist a data manager when responding to a challenge, adjustment, or appeal.

There is also a contents section at the beginning of the Guide and there are three reference sections at the end of the Guide.

- The contents section includes a two-page overview of the Guide's contents, a detailed table of contents that lists every section of each chapter, and a table of figures that lists each figure that appears in the Guide.

- The reference sections consist of a glossary containing brief definitions of some of the important terms used in the Guide, an index showing the page number where important terms are located within the Guide, and an appendix that reprints the CFR section relevant to cohort default rates.

How does this version of the Guide differ from previous versions of the Guide?

There are several major changes in this version of the Guide from previous versions of the Guide. These include

- combining the two former guides, the "Draft Cohort Default Rate Guide" and the "Official Cohort Default Rate Guide," into one guide;

- incorporating the new regulations that became effective on July 1, 2001

- creating the strategy and reference sections;

- referring to the Direct Loan Servicer, guaranty agencies, and, in certain circumstances, Default Management, lenders, and FFEL servicers as data managers;

- combining school information and data manager information relating to the various challenges, adjustments, and appeals into the same chapter instead of dividing the information into separate chapters;

- rewriting the Guide to make it clearer and easier to understand and use; and

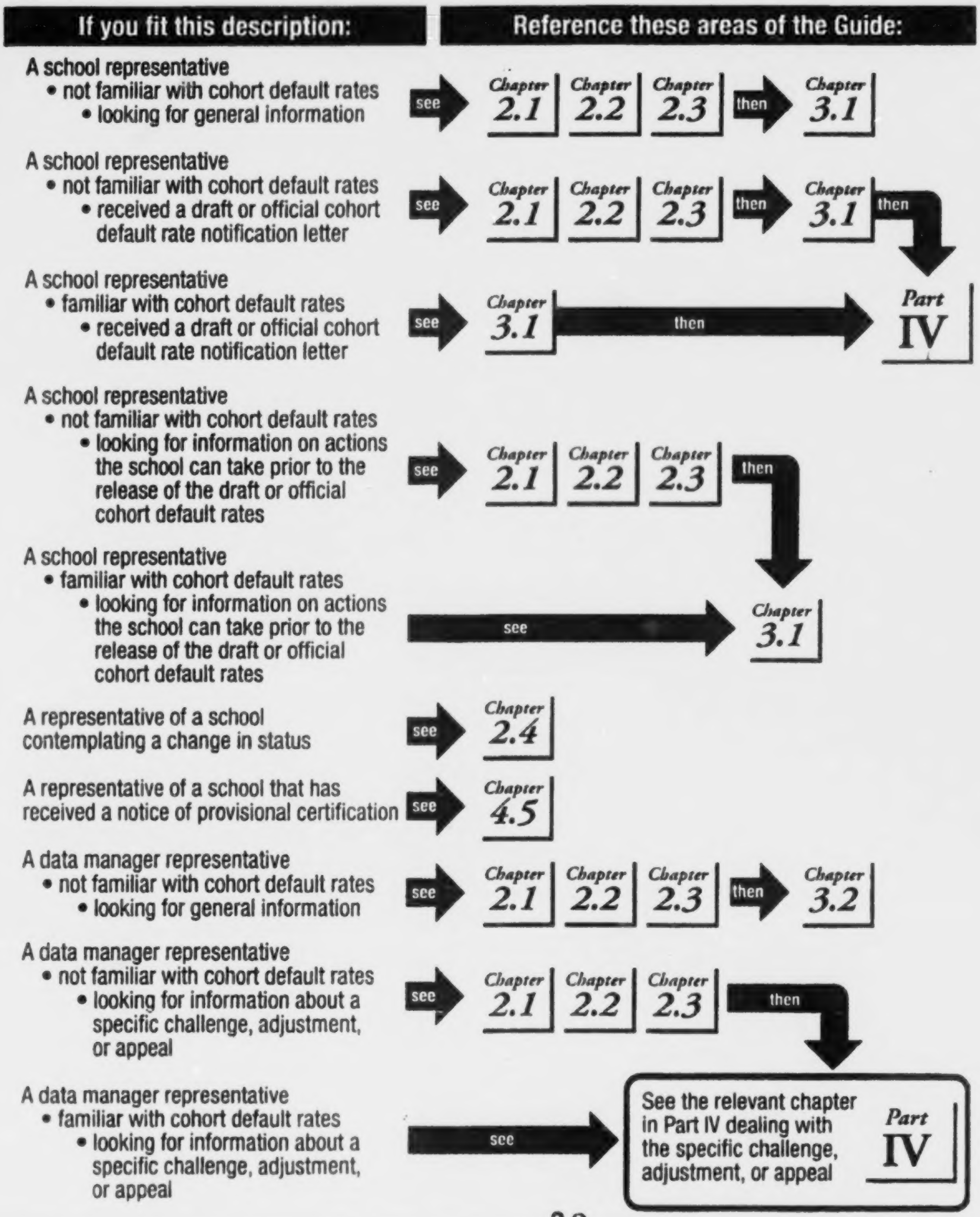
- redesigning the Guide so that future changes can be handled by sending out supplements.

Figure 1.1.1

How to Use this Guide

How does a school or data manager use this Guide?

Figure 1.1.1 provides examples of how a reader should use the Guide based on the reader's situation.



If you fit this description:	Reference these areas of the Guide:
A school representative • not familiar with cohort default rates • looking for general information	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.1
A school representative • not familiar with cohort default rates • received a draft or official cohort default rate notification letter	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.1 then Part IV
A school representative • familiar with cohort default rates • received a draft or official cohort default rate notification letter	see Chapter 3.1 then Part IV
A school representative • not familiar with cohort default rates • looking for information on actions the school can take prior to the release of the draft or official cohort default rates	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.1
A school representative • familiar with cohort default rates • looking for information on actions the school can take prior to the release of the draft or official cohort default rates	see Chapter 3.1
A representative of a school contemplating a change in status	see Chapter 2.4
A representative of a school that has received a notice of provisional certification	see Chapter 4.5
A data manager representative • not familiar with cohort default rates • looking for general information	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then Chapter 3.2
A data manager representative • not familiar with cohort default rates • looking for information about a specific challenge, adjustment, or appeal	see Chapter 2.1, Chapter 2.2, Chapter 2.3 then See the relevant chapter in Part IV dealing with the specific challenge, adjustment, or appeal (Part IV)
A data manager representative • familiar with cohort default rates • looking for information about a specific challenge, adjustment, or appeal	see See the relevant chapter in Part IV dealing with the specific challenge, adjustment, or appeal (Part IV)

The Guide uses a two-thirds/one-third layout, where two-thirds of the page contains text and one-third of the page is a margin. The margins contain illustrations designed to assist you with understanding the material in the Guide. The margins also provide a space for notes that you may wish to take while reading the Guide.

In the margin at the start of each chapter you will find a reference to the section of the CFR that applies to that chapter. You will find the sections of the CFR dealing with cohort default rates in Appendix A.

How can a school or data manager provide feedback on this Guide?

The Department is interested in receiving feedback regarding the new Guide. If you have questions, comments, or suggestions concerning the content, format, and/or structure of this Guide, please photocopy, fill out, and return the user comment page or call the Department's Default Management office at 1-202-708-6048. You may also send comments via email to

SFA.schools.default.management@ed.gov

A user comment page is at the end of this chapter. If sent by commercial overnight mail/courier delivery, the address is

U.S. Department of Education
Default Management
830 First Street, NE
Washington, DC 20002

If sent by U.S. Postal Service, the address is

U.S. Department of Education
Default Management
400 Maryland Avenue, SW
Washington, DC 20202-5353

34

User Comments on the Cohort Default Rate Guide

Please answer the following questions.

Was the Guide easy to understand?	YES	NO
Did you like the separation of information?	YES	NO
Did this format make it easier for you to prepare a challenge or response?	YES	NO
Did this format make it easier for you to prepare an adjustment or response?	YES	NO
Did this format make it easier for you to prepare an appeal or response?	YES	NO
Were the instructions and spreadsheets easy to follow and understand?	YES	NO
Are there issues not discussed in the Guide that you would like to see in future editions?	YES	NO

General Comments

____

____

____

____

The following information is optional. The Department may contact you for further clarification on your comments.

Organization Name: ______________________

School OPE ID # (if applicable): ______________________

Organization Mailing Address: ______________________

____

____

Person completing this form: ______________________

Telephone number: ______ - ______ - ________

Email address: ______________________

Part II

General Information

Chapter 2.1 **Calculating Cohort Default Rates**

Chapter 2.2 **Cohort Default Rate Effects**

Chapter 2.3 **Loan Record Detail Report**

Chapter 2.4 **Change in Status and Evasion**

Chapter 2.5 **Department Offices and Addresses**

Chapter 2.6 **General Information Tools**

Calculating Cohort Default Rates

Chapter 2.1

What is a cohort default rate? 2.1-1

Which types of loans are included in the cohort default rate calculation? 2.1-2

When are cohort default rates sent to schools? 2.1-3

Who receives cohort default rates? 2.1-3

What are the consequences of cohort default rates? 2.1-5

What are the time frames for cohort default rates? 2.1-6

How does the Department calculate a school's cohort default rate? 2.1-7

Which formula does the Department use to calculate a school's draft cohort default rate? 2.1-9

Which formula does the Department use to calculate a school's official cohort default rate? 2.1-9

What is an unofficial cohort default rate? 2.1-9

How does the Department determine which loans are placed in the denominator of the cohort default rate calculation? 2.1-9

How does the Department determine which loans are placed in the numerator of the cohort default rate calculation? 2.1-10

How do consolidation loans affect the numerator of the cohort default rate calculation? 2.1-11

How does loan rehabilitation affect the numerator of the cohort default rate calculation? 2.1-11

Are there any special circumstances that affect how a borrower will be included in the cohort default rate calculation? 2.1-12

What effects do Department actions have on the cohort default rate calculation? 2.1-16

Calculating Cohort Default Rates

34 CFR 668.182
34 CFR 668.183

What is a cohort default rate?

For schools having 30 or more borrowers entering repayment in a fiscal year, the school's cohort default rate is the percentage of a school's borrowers who enter repayment on certain Federal Family Education Loans (FFELs) and/or William D. Ford Federal Direct Loans (Direct Loans) during that fiscal year and default (or meet other specified conditions) within the cohort default period. For schools with 29 or fewer borrowers entering repayment during a fiscal year, the cohort default rate data includes borrowers entering repayment over a three-year period.

The phrase "cohort default period" refers to the two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year. This is the period during which a borrower's default affects the school's cohort default rate.

Cohort default rates are based on federal fiscal years. Federal fiscal years begin on October 1 of a calendar year and end on September 30 of the following calendar year. Each federal fiscal year refers to the calendar year in which it ends.

The phrase "cohort fiscal year" refers to the fiscal year for which the cohort default rate is calculated. For example, when calculating the 1999 cohort default rate, the cohort fiscal year is FY 1999 (October 1, 1998 to September 30, 1999).

The phrase "other specified conditions" refers to two different situations. The first relates to borrowers who obtain Direct Loans to attend non-degree-granting proprietary schools. In addition to the other criteria for default, a borrower who receives a Direct Loan to attend a non-degree-granting proprietary school is also considered in default for the purpose of calculating that school's cohort default rate if, during the cohort default period in question, the borrower is in repayment for 360 days under the income contingent repayment (ICR) plan with scheduled payments that are

- less than 15 dollars per month and
- less than the interest accruing on the loan.

The second situation occurs when, before the end of the cohort default period, the school's owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment to prevent a borrower's default on a loan that entered repayment during the cohort fiscal year. In such a situation, the borrower is considered in default for cohort default rate purposes. For the purposes of this Guide, the phrase "other specified conditions" will always refer to these situations.

Which types of loans are included in the cohort default rate calculation?

The FFELs included in the cohort default rate calculation are

- subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans (collectively referred to as Federal Stafford Loans) and
- Federal Supplemental Loans for Students (Federal SLS loans).

  Federal SLS loans have not been made since July 1, 1994. However, it is possible for a Federal SLS loan to be included in a current cohort default rate calculation under certain circumstances.

The Direct Loans included in the cohort default rate calculation are

- Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Ford Loans (collectively referred to as Direct Stafford/Ford Loans).

The following loans are not included in the cohort default rate calculation:

- Federal PLUS Loans;
- Federal Direct PLUS Loans;
- Federal Insured Student Loans (FISLs); and
- Federal Perkins Loans. (Please note that Federal Perkins Loans have separate cohort default rate calculations.)

Federal Consolidation Loans and Federal Direct Consolidation Loans are not directly included in the cohort default rate calculation. However, the status of a consolidation loan may affect the cohort default rate calculation. Please refer to the section of this chapter entitled, "How do consolidation loans affect the numerator of the cohort default rate calculation?" for more information on how consolidation loans may affect the cohort default rate calculation.

The Department calculates cohort default rates twice each year

When are cohort default rates sent to schools?

The U.S. Department of Education (the Department) calculates cohort default rates twice each year. Generally, the Department sends draft cohort default rates to schools in January or February. After schools receive their draft cohort default rate data, schools are provided an opportunity to identify and correct any inaccuracies by submitting an incorrect data challenge. The Department then calculates and releases the official cohort default rates. Official cohort default rates are generally released to schools and the public approximately six months after the release of the draft cohort default rates. However, the official cohort default rates must be released no later than September 30th each year.

Who receives cohort default rates?

The Department provides draft cohort default rates only to schools and does not release them to the public. The Department sends draft cohort default rates to all schools that the Department's records indicate

- are eligible to participate in any of the Title IV programs and
- have borrowers that entered repayment on FFELs or Direct Loans during the current or prior two cohort fiscal years.

When the Department provides a school with a draft cohort default rate, the school will also receive any new supplements to this Guide, as well as the cohort fiscal year loan record detail report listing all of the borrowers included in the school's draft cohort default rate calculation.

The Department provides official cohort default rates to schools and also makes them available to the public. The Department releases official cohort default rates for all schools that the Department's records indicate

- are eligible to participate in any of the Title IV programs and
- have borrowers that entered repayment on FFELs or Direct Loans during the current or prior two cohort fiscal years.

When the Department provides a school with an official cohort default rate, the school will also receive any new supplements to this Guide. If the school's official cohort default rate is 10.0 percent or greater, the Department will provide the school with a loan record detail report listing all the borrowers included in the official cohort default rate calculation. If a school is subject to sanction because of three consecutive years of a cohort default rate that is 25.0 percent or greater, the school will receive loan record detail reports for the current and prior two cohort fiscal years. Similarly, if a school's official cohort default rate is an average rate, it will receive loan record detail reports for the current and prior two cohort fiscal years.

A school may also request an electronic copy of the loan record detail report for the draft or official cohort default rates. See Chapter 2.3, "Loan Record Detail Report," for information on requesting an electronic copy.

Official cohort default rate information for schools, guaranty agencies, and lenders will also be available through the National Student Loan Data System (NSLDS). At the time of publication of this Guide, the NSLDS cohort default rate list screens were still under development. Default Management will create a "General Information Tools: Cohort Default Rate List" supplement for this Guide once these lists are in final form. This supplement will be mailed to schools and data managers and will be available at

http://www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html

The instructions will eventually be in Chapter 2.6, "General Information Tools."

BEST COPY AVAILABLE

The public can request a listing of all of the official cohort default rates in the form of a press package. The press package also contains a listing of those schools that are subject to sanction as a result of high official cohort default rates. For a copy of the most recent press package, call 1-202-708-9396 or visit the Department's website at

http://sfa4schools.sfa.ed.gov

or

http://www.ifap.ed.gov

What are the consequences of cohort default rates?

Official cohort default rates are important because they may affect a school's eligibility to participate in the Title IV programs administered by the Department.

Official cohort default rates may affect a school's eligibility to participate in the Title IV programs administered by the Department

In addition, a school with low cohort default rates may be eligible for certain benefits. Some schools with low official cohort default rates may be exempt from certain loan disbursement requirements. It is important to note that some of these benefits are scheduled to expire on September 30, 2002. For more information on the benefits associated with low cohort default rates, see Chapter 2.2, "Cohort Default Rate Effects."

Draft cohort default rates are important because the data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. Although there are no sanctions or benefits associated with a school's draft cohort default rate, it is important for schools to review the data used to calculate the draft cohort default rate. A school that fails to challenge the accuracy of the data used to calculate its draft cohort default rate through an incorrect data challenge may not challenge the accuracy of that same data when it receives its official cohort default rate.

In addition, in certain circumstances a school may be able to avoid sanctions associated with its official cohort default rate by submitting a successful participation rate index challenge based on its draft cohort default rate. The school should review its enrollment data in relation to its draft cohort default rate to determine if it is eligible to submit a participation rate index challenge.

For more information on the importance of cohort default rates, see Chapter 2.2, "Cohort Default Rate Effects." For more information on challenges, adjustments, and appeals, see Chapter 3.1, "School Strategies," and Part IV, "Challenges, Adjustments, and Appeals."

Cohort Fiscal Year	Borrowers in the Numerator	Time Period (Numerator)
	Borrowers in the Denominator	Time Period (Denominator)
1999	Borrowers who entered repayment in 1999 and defaulted in 1999 or 2000	10/01/1998 to 09/30/2000
	Borrowers who entered repayment in 1999	10/01/1998 to 09/30/1999
2000	Borrowers who entered repayment in 2000 and defaulted in 2000 or 2001	10/01/1999 to 09/30/2001
	Borrowers who entered repayment in 2000	10/01/1999 to 09/30/2000
2001	Borrowers who entered repayment in 2001 and defaulted in 2001 or 2002	10/01/2000 to 09/30/2002
	Borrowers who entered repayment in 2001	10/01/2000 to 09/30/2001
2002	Borrowers who entered repayment in 2002 and defaulted in 2002 or 2003	10/01/2001 to 09/30/2003
	Borrowers who entered repayment in 2002	10/01/2001 to 09/30/2002
2003	Borrowers who entered repayment in 2003 and defaulted in 2003 or 2004	10/01/2002 to 09/30/2004
	Borrowers who entered repayment in 2003	10/01/2002 to 09/30/2003
2004	Borrowers who entered repayment in 2004 and defaulted in 2004 or 2005	10/01/2003 to 09/30/2005
	Borrowers who entered repayment in 2004	10/01/2003 to 09/30/2004
2005	Borrowers who entered repayment in 2005 and defaulted in 2005 or 2006	10/01/2004 to 09/30/2006
	Borrowers who entered repayment in 2005	10/01/2004 to 09/30/2005

Figure 2.1.1

Time Frames for Cohort Default Rates

What are the time frames for cohort default rates?

Figure 2.1.1 outlines the time frames used when calculating cohort default rates for schools with 30 or more borrowers in repayment for the cohort fiscal years 1999 through 2005. This chart does not address average cohort default rates for schools with less than 30 borrowers in repayment. The first column in the table shows the cohort fiscal year. The second column shows the borrowers included in the cohort default rate calculation for that cohort fiscal year. Borrowers in the denominator are those who entered repayment during the time period in column three. Borrowers in the numerator are those who entered repayment and who defaulted or met other specified conditions during the time period listed in column three. The third column shows the time periods used for the numerator and the denominator listed in the second column.

In a mathematical formula, the numerator is always listed first and the denominator listed second; the mathematical formulas in this Guide will be written this way. However, in the text of this Guide the denominator will always be discussed before the numerator is discussed. This is because the numerator is a subset of the denominator in all of the formulas contained in this Guide.

How does the Department calculate a school's cohort default rate?

The formula the Department uses for calculating a school's cohort default rate depends on the number of borrowers from that school entering repayment in a particular cohort fiscal year and the number of cohort default rates previously calculated for the school.

Note that cohort default rates are based on the number of borrowers who enter repayment, not the number and type of loans that enter repayment. A borrower with multiple loans from the same school whose loans enter repayment during the same cohort fiscal year will be included in the formula only once for that cohort fiscal year.

The two types of formulas used to calculate a school's cohort default rate are the Non-Average Rate Formula and the Average Rate Formula. For each of these formulas, the cohort default rate is obtained by dividing the numerator by the denominator and then expressing the result as a percentage. The number of borrowers included in the numerator and the denominator vary, however, depending on the type of formula used.

Non-Average Rate Formula

Non-Average Rate Formula: The Non-Average Rate Formula is used for a school with 30 or more borrowers entering repayment during a cohort fiscal year.

Non-Average Rate Calculation: For this calculation, the denominator is the number of borrowers who entered repayment in the cohort fiscal year; the numerator is the number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period.

Number of borrowers who entered repayment in the cohort fiscal year and who defaulted or met other specified conditions in the cohort default period ÷ Number of borrowers who entered repayment in the cohort fiscal year = Cohort Default Rate

Non-Average Rate Example: School A, a degree-granting school, had 90 borrowers enter repayment in the cohort fiscal year (denominator). Of those, 8 borrowers defaulted in the cohort default period (numerator). School A's cohort default rate is calculated by dividing 8 by 90 (8 ÷ 90 = 0.088) and expressing the result (0.088) as a percentage to produce a non-average cohort default rate of 8.8 percent (0.088 x 100 = 8.8).

8 borrowers defaulted ÷ 90 total borrowers in repayment = 8.8 percent cohort default rate

Average Rate Formula

Average Rate Formula: The Average Rate Formula is used to calculate the official cohort default rate for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if that school had a cohort default rate calculated for the two previous cohort fiscal years.

Average Rate Calculation: The denominator for the average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years. The numerator for the average cohort default rate is the number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years and who defaulted or met other specified conditions in the cohort default period for the cohort fiscal year in which they entered repayment.

Number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years and who defaulted or met other specified conditions in the cohort default period for the cohort fiscal year in which they entered repayment ÷ Number of borrowers who entered repayment in the cohort fiscal year and the two preceding cohort fiscal years = Cohort Default Rate

Average Rate Example: School B, a degree-granting school, certified loans for the following students: 29 borrowers who entered repayment in the cohort fiscal year (of whom 2 defaulted in that cohort default period), 44 borrowers who entered repayment in the fiscal year immediately preceding the cohort fiscal year (of whom 7 defaulted in the associated cohort default period), and 50 borrowers who entered repayment in the fiscal year two years prior to the cohort fiscal year (of whom 3 defaulted in the associated cohort default period). The 123 borrowers (29 + 44 + 50 = 123) who entered repayment in these three fiscal years constitute the denominator. The numerator consists of the 12 borrowers (2 + 7 + 3 = 12) who defaulted in the relevant cohort default periods. School B's cohort default rate is calculated by dividing 12 by 123 (12 ÷ 123 = 0.097) and expressing the result (0.097) as a percentage to produce an average cohort default rate of 9.7 percent (0.097 x 100 = 9.7).

12 borrowers defaulted ÷ 123 total borrowers in repayment = 9.7 percent cohort default rate

Which formula does the Department use to calculate a school's draft cohort default rate?

The Department always uses the non-average rate formula for calculating a school's draft cohort default rate. The draft cohort default rate is based only on a school's current cohort fiscal year data (the number of borrowers from that school entering repayment in a particular cohort fiscal year and the number of borrowers defaulting or meeting other specified conditions during the associated cohort default period). Therefore, schools with 29 or fewer borrowers entering repayment cannot use the draft cohort default rate to anticipate their official cohort default rate. Schools with 29 or fewer borrowers entering repayment must perform a manual calculation using the average rate formula to anticipate their official cohort default rate.

Which formula does the Department use to calculate a school's official cohort default rate?

The Department uses the non-average rate formula and the average rate formula to calculate a school's official cohort default rate, depending on the number of borrowers entering repayment.

What is an unofficial cohort default rate?

An official cohort default rate cannot be calculated for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if the school did not have an official or unofficial cohort default rate calculated for either or both of the two previous cohort fiscal years. Such a school will have an unofficial cohort default rate calculated using the non-average formula and current year data. An unofficial cohort default rate does not meet the statutory definition of a cohort default rate. Therefore, it cannot be used to determine sanctions or benefits.

How does the Department determine which loans are placed in the denominator of the cohort default rate calculation?

Borrowers are included in the denominator of the cohort default rate calculation based on when their loans entered repayment. Except for an average cohort default rate calculation, borrowers included in the denominator of a cohort default rate calculation are the borrowers with relevant loans that entered repayment during that cohort fiscal year. Borrowers included in the denominator of an average cohort default rate calculation are the borrowers who entered repayment on relevant loans during that cohort fiscal year or the prior two cohort fiscal years.

A Federal Stafford Loan or Direct Stafford/Ford Loan enters repayment under the requirements applicable to the type of loan. In most cases, they enter repayment after a six-month grace period that begins when the borrower separates (graduates or withdraws) from school or drops below half-time enrollment. The official repayment date is the first day following the end of the six-month grace period. Use of this date is dependent on the school providing timely notification of any change in a student's enrollment status to NSLDS or the data manager. If the school does not provide timely notification, the data manager will use the best information available to determine the repayment date. This date will be used for purposes of calculating the school's cohort default rate.

A Federal SLS loan enters repayment on the day after the borrower separates from school or drops below half-time enrollment, unless the borrower also has a Federal Stafford Loan that was obtained during the same period of continuous enrollment. In that event, the repayment date of the Federal SLS loan for cohort default rate purposes is the same as the repayment date for the Federal Stafford Loan; generally, this is the first day following the end of the six-month grace period.

Under these guidelines, which the Department implemented beginning with the FY 1993 cohort default rates, a Federal SLS loan that was reported as entering repayment prior to FY 1993 might also meet the criteria to be included in FY 1993 or later. To prevent the possibility of double-counting loans, any Federal SLS loan that was reported in a cohort default rate prior to FY 1993 will not be reported in a later cohort default rate.

How does the Department determine which loans are placed in the numerator of the cohort default rate calculation?

Borrowers must be included in the denominator of the cohort default rate calculation in order to be included in the numerator of the cohort default rate calculation. A FFEL or Direct Loan borrower is included in the numerator if the borrower defaults or meets the "other specified conditions" defined previously in this chapter.

For cohort default rate purposes, a FFEL is considered to be in default only if the guaranty agency has paid a default claim to the lender holding the loan. The claim paid date, which is the date the guaranty agency reimburses the lender for the defaulted loan, is used to determine if the borrower will be placed in the numerator of the calculation. If the claim paid date falls within the cohort default period, the borrower is included in both the denominator and numerator of the cohort default rate calculation.

For cohort default rate purposes, a Direct Loan is considered to be in default after 360 days of delinquency (or after 270 days if the borrower's first day of delinquency was before October 7, 1998). If the default date falls within the cohort default period, the borrower will be included in both the denominator and the numerator of the cohort default rate calculation.

How do consolidation loans affect the numerator of the cohort default rate calculation?

Although Federal Consolidation Loans and Direct Consolidation Loans are not directly included in the cohort default rate calculation, a defaulted consolidation loan may cause a borrower to be included in the numerator of the cohort default rate calculation. This occurs if the consolidation loan defaults within the cohort default period that is applicable to the underlying loan(s).

For example, Elizabeth entered into repayment on several Federal Stafford Loans in January of the cohort fiscal year. Because Elizabeth entered into repayment in January, she will be included in the denominator of the cohort default rate calculation. After entering into repayment on the Federal Stafford Loans, Elizabeth elects to consolidate the loans into a Federal Consolidation Loan. Elizabeth fails to make payments on the Federal Consolidation Loan and the loan defaults in June of the following calendar year. Even though the underlying Federal Stafford Loan did not default, Elizabeth will be included in the numerator of the cohort default rate calculation because a claim was paid on the Federal Consolidation Loan during the cohort default period.

How does loan rehabilitation affect the numerator of the cohort default rate calculation?

Student loan rehabilitation is a method by which a borrower may resolve the status of defaulted loans. For a FFEL or Direct Loan to be eligible for rehabilitation* the borrower must make 12 consecutive on-time voluntary monthly payments. The loan is then rehabilitated and the borrower is no longer considered to be in default for cohort default rate purposes.

For cohort default rate calculation purposes, if the borrower rehabilitates the loan before the end of the cohort default period, the borrower is not included in the numerator because the borrower is no longer considered to be in default. If the borrower rehabilitates the loan after the end of the cohort default period, the borrower is considered in default and is included in the numerator.

*In accordance with sections 428 F(a) and 435(m)(2)(C) of the HEA and 34 CFR 682.405 (for FFELs) and with section 455(a)(1) of the HEA and 34 CFR 685.211(f) (for Direct Loans)

Are there any special circumstances that affect how a borrower will be included in the cohort default rate calculation?

The following tables outline some examples of special circumstances that affect the cohort default rate calculation. These special circumstances only affect the cohort default rate calculation if the school timely submits documentation of the special circumstance to the data manager. To use these tables, read down the left side column until you find an applicable situation, then read across to see how the cohort default rate calculation is affected.

Figure 2.1.2 outlines special circumstances involving schools.

Figure 2.1.2

Special Circumstances Involving Schools

Situation	How it Affects the Denominator	How it Affects the Numerator
A borrower separates from the school that disbursed the loans but enrolls at that school or a different school before the end of the grace period.	The borrower is included in the cohort fiscal year when the borrower actually enters repayment. If the date a borrower enters repayment is delayed by the borrower re-enrolling in school, then the borrower's inclusion in a cohort default rate calculation will also be delayed.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.
A borrower obtained more than one loan to attend a school and the repayment dates for each of the loans fall into different cohort fiscal years.	The borrower is included in the cohort fiscal years when the borrower entered repayment. The borrower will appear in two different cohort default rate calculations for the same school if the borrower has two loans that enter repayment in different cohort fiscal years.	The borrower is included if the borrower defaulted or met other specified conditions during the relevant cohort default periods. The borrower will appear in different cohort default rate calculations for the same school if the borrower has multiple loans, enters repayment in separate cohort fiscal years, and defaults or meets other specified conditions during those cohort default periods.
A borrower takes out loans at more than one school.	The borrower is included in the cohort fiscal years when the borrower entered repayment for each school where the borrower obtained loans.	The borrower is included for the schools at which the defaulted loans were obtained if the borrower defaulted or met other specified conditions during those cohort default periods.
A school, its owner, its agent, contractor, employee, or another entity or individual associated with the school makes a payment on the borrower's loan in order to avoid default during the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the loan meets other specified conditions during the cohort default period.

Figure 2.1.3 outlines special circumstances involving repayment.

Figure 2.1.3

Special Circumstances Involving Repayment

Situation	How it Affects the Denominator	How it Affects the Numerator
The borrower enters repayment and subsequently obtains a deferment or forbearance on the loan.	The borrower is included in the cohort fiscal year when the borrower entered repayment. Deferments or forbearances do not alter the date the borrower entered repayment.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.
A borrower consolidates one or more defaulted loans.	The borrower is included in the cohort fiscal years when the borrower entered repayment on the underlying loans (the loans that the borrower consolidated), not based on the date that the consolidation loan entered repayment.	Even though the borrower has regained eligibility for Title IV funds by consolidating, the borrower is still considered to be in default for the purpose of calculating the school's cohort default rate.
A borrower requested and was granted a revised repayment schedule that started before the date the borrower was originally scheduled to enter repayment.	The borrower is included in the cohort fiscal year when the early repayment schedule begins. The early repayment date becomes the repayment date.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.
A borrower paid the loan in full before the date the loan was scheduled to enter repayment.	The borrower is included in the cohort fiscal year that the borrower paid the loan in full. The paid-in-full date becomes the new repayment date.	The borrower is not included because the borrower did not default.
A borrower paid the loan in full after defaulting or meeting other specified conditions during the cohort default period but without rehabilitating the loan within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the loan was not successfully rehabilitated for cohort default rate purposes within the cohort default period.

Figure 2.1.4

Special Circumstances Involving Loans That Were Discharged, Canceled, or Refunded

Figure 2.1.4 outlines special circumstances involving loans that were discharged, canceled, or refunded.

Situation	How it Affects the Denominator	How it Affects the Numerator
The borrower's loan was discharged due to death, bankruptcy, disability, or other type of loan discharge before the borrower entered repayment.	The borrower is included in the cohort fiscal year based on the date the loan was discharged. The date of discharge becomes the date of repayment.	The borrower is not included because the borrower did not default.
The borrower's loan was discharged due to death, bankruptcy, disability, or other type of loan discharge after the borrower enters repayment but before the end of the cohort default period and before the borrower defaults or meets other specified conditions.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower did not default.
The borrower enters repayment and defaults or meets other specified conditions during the cohort period. Subsequently, the loan is discharged due to death, bankruptcy, disability, or other type of loan discharge.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the borrower defaulted or met other specified conditions during the cohort default period.
A loan was fully refunded, or canceled, within 120 days of loan disbursement.	Canceled loans are not included in the cohort default rate calculation.	The borrower is not included because canceled loans are not included in the cohort default rate calculation.
A loan was partially refunded within 120 days of loan disbursement.	The borrower is included in the cohort fiscal year when the borrower entered repayment on the portion of the loan that was not refunded.	The borrower is included if the borrower defaulted or met other specified conditions during the cohort default period.

Figure 2.1.5 outlines special circumstances involving loans that were repurchased.

Figure 2.1.5

Special Circumstances Involving Loans That Were Repurchased

Situation	How it Affects the Denominator	How it Affects the Numerator
A lender repurchased a defaulted loan because the guaranty agency determined that the lender did not meet the insurance requirements and, as a result, the loan lost insurance and became an uninsured loan.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.	The borrower is not included because uninsured loans are not included in the cohort default rate calculation.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and does not submit another default claim within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is not included because the borrower is not in default.
A lender immediately repurchased a loan because the lender incorrectly submitted the default claim to the guaranty agency and later submits another default claim that is paid within the cohort default period.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the subsequent default claim was paid within the cohort default period.
A lender made a courtesy repurchase of a defaulted loan because the borrower established a new repayment plan or for other reasons.	The borrower is included in the cohort fiscal year when the borrower entered repayment.	The borrower is included because the original valid default claim was paid during the cohort default period.

What effects do Department actions have on the cohort default rate calculation?

Figure 2.1.6

Effects of Department Actions on Cohort Default Rate Calculation

Figure 2.1.6 shows the effects various Department actions have on the cohort default rate calculation as a result of an adjustment and/or appeal.

If the Department:	And the borrower has **no other loans** included in the cohort default rate calculation:	And the borrower has **other loans** that are **not in default** included in the cohort default rate calculation:	And the borrower has **other loans** that are **in default** included in the cohort default rate calculation:
Adds a defaulted loan	**+D** **+N**	**+N**	No effect. **Regardless of circumstance, if the borrower has other loans in default, the borrower is already included in both the numerator and denominator.**
Subtracts a defaulted loan	**-D** **-N**	**-N**	
Adds a non-defaulted loan	**+D**	No effect.	
Subtracts a non-defaulted loan	**-D**	No effect.	
Changes a defaulted loan to a non-defaulted loan	**-N**	**-N**	
Changes a non-defaulted loan to a defaulted loan	**+N**	**+N**	
Legend:	**+D** Increase Denominator by one. **-D** Decrease Denominator by one.	**+N** Increase Numerator by one. **-N** Decrease Numerator by one.	

Cohort Default Rate Effects

Chapter

2.2

Why are cohort default rates important? 2.2-1

Are there any sanctions or benefits associated with draft cohort default rates? 2.2-1

Will a school's draft cohort default rate and official cohort default rate be the same? 2.2-1

Are there any benefits for schools with low official cohort default rates? 2.2-2

Are there any sanctions associated with high official cohort default rates? 2.2-3

Can a school avoid the sanctions associated with high official cohort default rates? 2.2-4

Do cohort default rate sanctions apply to Historically Black Colleges or Universities, Tribally Controlled Community Colleges, and Navajo Community Colleges? 2.2-5

Are there any consequences if a school submits adjustments and/or appeals but fails to avoid sanctions? 2.2-5

If a school is subject to sanction, when does the sanction take effect? 2.2-6

How does a school withdraw from or reapply for participation in the Title IV loan programs? 2.2-7

Cohort Default Rate Effects

34 CFR 668.187
34 CFR 682.603
34 CFR 682.604
34 CFR 685.301
34 CFR 685.303

Why are cohort default rates important?

Defaulted federal student loans cost taxpayers money. Cohort default rate sanctions and benefits provide an incentive to schools to work with their borrowers to reduce default. Sanctions also can prevent a school with a high percentage of defaulters from continuing to participate in the Federal Family Education Loan (FFEL), William D. Ford Federal Direct Loan (Direct Loan), and Federal Pell Grant programs. As a result, cohort default rates help save taxpayers money.

It is critical that all schools review their draft cohort default rate data

Are there any sanctions or benefits associated with draft cohort default rates?

There are no sanctions or benefits associated with draft cohort default rates. Draft cohort default rates are important because the data used to calculate the draft cohort default rate forms the basis of a school's official cohort default rate. Although there are no sanctions or benefits associated with a school's draft cohort default rate, it is important to review the data used to calculate the draft cohort default rate for accuracy. A school that fails to challenge the accuracy of its draft cohort default rate data through an incorrect data challenge may not contest the accuracy of that same data when it receives its official cohort default rate. Therefore, it is critical that all schools review their draft cohort default rate data when the U.S. Department of Education (the Department) releases it. See Chapter 4.1, "Incorrect Data Challenge," for more information about incorrect data challenges.

In addition, in certain circumstances a school may be able to avoid the sanctions associated with its official cohort default rate by submitting a successful participation rate index challenge based on its draft cohort default rate. See Chapter 4.2, "Participation Rate Index Challenge," for more information about participation rate index challenges.

Will a school's draft cohort default rate and official cohort default rate be the same?

A school's draft cohort default rate and official cohort default rate will not necessarily be the same. The National Student Loan Data System (NSLDS), which contains the data used to calculate cohort default rates, is updated regularly. As a result, a school's draft cohort default rate data may differ from its official cohort default rate data even if the school does not challenge the draft cohort default rate data.

Are there any benefits for schools with low official cohort default rates?

There are two types of benefits that are available to certain schools with low official cohort default rates. Figure 2.2.1 outlines the benefits.

Figure 2.2.1

Benefits for Schools with Low Official Cohort Default Rates

Eligible School	Benefits
Any school whose three most recent official cohort default rates are less than 10.0 percent (including an eligible home institution certifying or originating loans to cover the cost of attendance in a study abroad program).	May deliver or disburse loan proceeds in a single installment to a student if that student's loan period is less than or equal to one semester, one trimester, one quarter, or for non-term-based schools or schools with non-standard terms, four months. May choose not to delay the delivery or disbursement of the first installment of loan proceeds for first-year first-time borrowers. These benefits are currently scheduled to end on September 30, 2002.
A school whose most recent official cohort default rate is less than 5.0 percent and is an eligible home institution that is certifying or originating loans to cover the cost of attendance in a study abroad program.	May deliver or disburse loan proceeds in a single installment to a student studying abroad regardless of the length of the student's loan period. May choose not to delay the delivery or disbursement of the first installment of loan proceeds for first-year first-time borrowers studying abroad.

These benefits take effect as soon as the school receives its official cohort default rate notification letter or notification of a successful adjustment and/or appeal from Default Management.

Schools no longer qualify for these benefits starting 30 calendar days after receiving notice from Default Management of an official cohort default rate that exceeds the benefit thresholds.

Are there any sanctions associated with high official cohort default rates?

Sanctions apply when a school's official cohort default rate is at or above certain percentages. Figure 2.2.2 outlines those sanctions.

Figure 2.2.2

Sanctions for Schools with High Official Cohort Default Rates

School	Sanction
A school's three most recent official cohort default rates are 25.0 percent or greater.	Except in the event of a successful adjustment or appeal, such a school will lose FFEL, Direct Loan, and Federal Pell Grant eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.
A school's current official cohort default rate is greater than 40.0 percent..	Except in the event of a successful adjustment or appeal, such a school will lose FFEL and Direct Loan eligibility for the remainder of the fiscal year in which the school is notified of its sanction and for the following two fiscal years.

A school is not subject to the loss of Federal Pell Grant Program eligibility if, prior to October 7, 1998, the school requested in writing to withdraw from or lost its eligibility to participate in the FFEL and/or Direct Loan programs and has not subsequently participated in those programs. In addition, a school is not subject to the loss of Federal Pell Grant Program eligibility if it did not certify any FFELs and/or originate any Direct Loans on or after July 7, 1998. A school that resumes participation in the FFEL or Direct Loan programs is no longer eligible for either of these Federal Pell Grant Program exemptions.

Can a school avoid the sanctions associated with high official cohort default rates?

If a school is notified that it is subject to sanction, the school may submit an adjustment or appeal to attempt to avoid that sanction. Adjustments and appeals are available to schools after the release of the official cohort default rates. Challenges are available to schools after the release of the draft cohort default rates. Figure 2.2.3 summarizes the actions a school may take. (Schools not subject to loss of eligibility and schools subject to provisional certification based on cohort default rates may only take a limited number of these actions. See Chapter 3.1, "School Strategies," for an overview of the actions schools may take.) For more information, including detailed explanations of each action and the time frames for taking an action, see Part IV of this Guide, "Challenges, Adjustments, and Appeals."

A school is not subject to sanction based on an unofficial cohort default rate.

Figure 2.2.3

Challenges, Adjustments, and Appeals Table

Draft/ Official	Type of Action	Purpose
	Incorrect Data Challenge	**Correct data before the official cohort default rates are released.**
	Participation Rate Index Challenge	Demonstrate a low borrower participation rate to avoid a sanction with the anticipated official cohort default rate.
OFFICIAL	Uncorrected Data Adjustment	Contest a data error that was agreed upon in the draft process but is still reflected in the official cohort default rate data.
OFFICIAL	New Data Adjustment	Contest official cohort default rate data that was not included in draft cohort default rate data or that is different from the draft cohort default rate data.
OFFICIAL	Erroneous Data Appeal	Contest official cohort default rate data that was not included in the draft cohort default rate data (new data) and/or contest the data manager's decision (disputed data).
OFFICIAL	Loan Servicing Appeal	Contest servicing of the borrower's loan account.
OFFICIAL	Economically Disadvantaged Appeal	Demonstrate a high number of low income students and high placement or completion rates.
OFFICIAL	Participation Rate Index Appeal	Demonstrate a low borrower participation rate.
OFFICIAL	Average Rates Appeal	Demonstrate a low number of borrowers.
OFFICIAL	Thirty-or-Fewer Borrowers Appeal	Demonstrate a low number of borrowers.

Do cohort default rate sanctions apply to Historically Black Colleges or Universities, Tribally Controlled Community Colleges, and Navajo Community Colleges?

A Historically Black College or University, Tribally Controlled Community College, or Navajo Community College, as defined in statute, is not subject to loss of eligibility or provisional certification based on its official cohort default rate if the school

- submits in a timely manner an acceptable default management plan (such as that found in Appendix B to 34 CFR 668 Subpart M);
- engages in a timely manner an independent third party to assist in implementing the default management plan; and
- demonstrates, on a yearly basis, that the default management plan has been successfully implemented, that the school has made substantial improvement in its cohort default rate during that year, and that it continues to engage an independent third party.

It is important to note that this exemption is scheduled to end on June 30, 2004.

Are there any consequences if a school submits adjustments and/or appeals but fails to avoid sanctions?

In addition to losing eligibility, a school that submits adjustments and/or appeals but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

If a school is subject to sanction, when does the sanction take effect?

Figure 2.2.4 summarizes the effective date of sanctions.

A school that loses eligibility may continue to honor unpaid loan commitments and make certain second disbursements after notification of the loss of eligibility if the school meets certain criteria listed in the CFR. The criteria can be found at 34 CFR 668.26(d).

Figure 2.2.4

Effective Date of Sanctions

	School is Not Currently Under Sanction	School is Currently Under Sanction
School Does Not Timely Submit Adjustment or Appeal	The school's participation ends 30 calendar days after the date the school first receives notice that it is subject to the loss of eligibility.	The school's previous loss of eligibility remains in effect and the school will receive an additional sanction.
School Does Timely Submit Adjustment or Appeal, but Adjustment or Appeal is Unsuccessful	The school's participation ends on the date that the school receives the Department's final decision indicating that the adjustment and/or appeal was unsuccessful. A school may choose not to participate during this period to avoid incurring a liability.	The school's previous loss of eligibility remains in effect and the new loss of eligibility is effective when the school receives the Department's final decision indicating that the school's adjustment or appeal was unsuccessful. The new loss of eligibility does not replace the previous loss; however, it may overlap the previous loss and extend the length of time that a school is unable to participate in the FFEL, Direct Loan, or Federal Pell Grant programs.
School Does Timely Submit Adjustment or Appeal, and Adjustment or Appeal is Successful	The Department will withdraw the notification that the school is subject to a loss of eligibility.	The Department will withdraw the notification that the school is subject to an additional loss of eligibility. However, the previous loss of eligibility remains in effect.

The official cohort default rates must be released no later than September 30th. If, however, cohort default rates are not issued until after that date, a school's loss of eligibility would continue only for the remainder of the fiscal year in which the cohort default rates are issued and for the following fiscal year. For example, if the Department issues cohort default rates for FY 1999 on October 2, 2001, then a loss of eligibility that is based on the FY 1999 cohort default rate would continue only for the remainder of FY 2002 (the fiscal year in which the cohort default rates were issued) and to the end of FY 2003.

How does a school withdraw from or reapply for participation in the Title IV loan programs?

A school should contact the Case Management and Oversight Office at 1-202-205-0183 for information on withdrawing from the FFEL Program and Direct Loan Operations at 1-202-708-9951 for information on withdrawing from the Direct Loan Program.

A school that loses FFEL, Direct Loan, or Federal Pell Grant eligibility may reapply for participation when the sanction period ends. A school should apply online at

http://www.eligcert.ed.gov

Loan Record Detail Report

Chapter 2.3

What is a loan record detail report? 2.3-1
Why should a school review its loan record detail report? 2.3-1
Which schools receive hardcopy loan record detail reports? 2.3-2
What is an electronic loan record detail report? 2.3-3
Can a school request a hardcopy or electronic loan record detail report from the Department? 2.3-4
Are the loan record detail reports subject to the Privacy Act? 2.3-4
How does a school read a loan record detail report? 2.3-5
How does a school identify the data manager of a loan? 2.3-16

Loan Record Detail Report

What is a loan record detail report?

A loan record detail report contains information on the loans that were used to calculate a school's draft or official cohort default rate. The loan record detail report lists a school's Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) activity, including but not limited to

- the number of borrowers who entered repayment during a given fiscal year, and
- the loan status of those borrowers.

It is important that schools maintain a copy of all loan record detail reports received from the U.S. Department of Education (the Department). The Department provides loan record detail reports at the release of the draft cohort default rates and the release of the official cohort default rates. The loan record detail reports will be useful if a school files a challenge, adjustment, or appeal at a later date. The loan record detail reports are also useful for comparing draft cohort default rates to official cohort default rates and for comparing cohort default rates from one cohort fiscal year to the next.

It is important that schools maintain a copy of all loan record detail reports

The Department provides loan record detail reports using loan information that schools, data managers, and various offices within the Department submit to the National Student Loan Data System (NSLDS).

Why should a school review its loan record detail report?

After the release of the draft cohort default rates each year, a school should review its loan record detail report for the draft cohort default rates to verify the accuracy of the loan information. Because the official cohort default rate will be used to determine if the school is subject to sanction or eligible for benefits, it is important for the school to verify the accuracy of the draft cohort default rate data before the official cohort default rates are calculated and released. If the school does not challenge draft cohort default rate data that the school believes is incorrect, the school forfeits the right to submit certain types of adjustments and appeals when the official cohort default rates are released.

A school should review its loan record detail report for the official cohort default rates to verify the accuracy of the data used to calculate its official cohort default rate. The Department uses the official cohort default rate to determine if a school is subject to sanction or eligible for benefits. If a school finds errors in the cohort default rate data, the school may be eligible to file an uncorrected data adjustment, new data adjustment, and/or erroneous data appeal. See Chapter 3.1, "School Strategies," for additional information.

For more information on how the Department calculates draft and official cohort default rates, see Chapter 2.1, "Calculating Cohort Default Rates."

NSLDS receives regular updates from numerous data providers. As a result, a school's loan record detail report for the draft cohort default rates may differ from its loan record detail report for the official cohort default rates due to the addition of new data or changes in the data. New data occurs when the loan data reported to NSLDS changes during the period between the draft cohort default rate calculation and the official cohort default rate calculation for the same cohort fiscal year. New data can be identified by comparing the loan record detail reports for the draft and official cohort default rates for the same year and determining if any loan data is newly included, excluded, or changed in any manner. If new data appears in a school's official cohort default rate calculation, the school may be eligible to submit an adjustment and/or appeal of its official cohort default rate based on allegations of new data errors.

Which schools receive hardcopy loan record detail reports?

For draft cohort default rates, the Department sends hardcopy loan record detail reports to all Title IV eligible schools for which a draft cohort default rate is provided.

For official cohort default rates, the Department sends the most recent loan record detail report in a hardcopy format to Title IV eligible schools if their official cohort default rate is 10.0 percent or greater. If a school's three most recent official cohort default rates are 25.0 percent or greater or if a school's most recent official cohort default rate is an average cohort default rate, the Department sends the school its three most recent loan record detail reports for the official cohort default rates. If a school receives a loan record detail report for a previous cohort fiscal year, the loan record detail report will not reflect any changes that the Department agreed to as a result of a previous adjustment and/or appeal. The school must refer to the adjustment and/or appeal determination letter for information on cohort default rate changes.

When a school receives a:	The Department will provide the:
Draft cohort default rate	Most recent loan record detail report for the draft cohort default rates
Official cohort default rate that is 10.0 percent or greater	Most recent loan record detail report for the official cohort default rates
Official cohort default rate that is 25.0 percent or greater for three consecutive years	Three most recent loan record detail reports for the official cohort default rates
Average official cohort default rate	Three most recent loan record detail reports for the official cohort default rates

Figure 2.3.1

Loan Record Detail Reports at a Glance

Figure 2.3.1 summarizes which loan record detail reports a school will receive.

What is an electronic loan record detail report?

An electronic loan record detail report is an electronic version of the hardcopy loan record detail report. This electronic loan record detail report contains the same information as, and eventually will replace, the hardcopy loan record detail report. Electronic loan record detail reports are available to all schools that receive a draft or official cohort default rate.

An electronic loan record detail report provides schools with a more efficient way to review, sort, and analyze their cohort default rate data. Schools are strongly encouraged to use electronic loan record detail reports and may request one at any time.

Any school that requests an electronic loan record detail report and has an average rate for the requested cohort fiscal year will automatically receive data for the prior two cohort fiscal years along with the data for the requested cohort fiscal year. All non-average rate schools will receive data only for the requested cohort fiscal year.

A U.S. school can request an electronic loan record detail report using the NSLDS website. See the instructions for requesting an electronic loan record detail report in Chapter 2.6, "General Information Tools."

The electronic loan record detail report is available as a preformatted report (report) or as a data file extract (extract). The report is representative of the hardcopy loan record detail report and can be accessed using standard word processing software. The extract allows a school to query the cohort default rate data based on the school's needs.

Any school involved in a change in status can request a loan record detail report for any of the other schools involved in the change of status after the change occurred. See Chapter 2.4, "Change in Status and Evasion," for more information about changes in status.

Can a school request a hardcopy or electronic loan record detail report from the Department?

If a school did not receive a hardcopy loan record detail report and it intends to submit a cohort default rate adjustment and/or appeal, the school must request the loan record detail report within 15 calendar days of receiving its official cohort default rate notification letter. See the instructions for requesting an electronic loan record detail report in Chapter 2.6, "General Information Tools."

A school without NSLDS access or a school unable to obtain a loan record detail report through NSLDS can request a hardcopy or electronic loan record detail report directly from Default Management. To do so, the school should contact Default Management's hotline at 1-202-708-9396 or send an email to

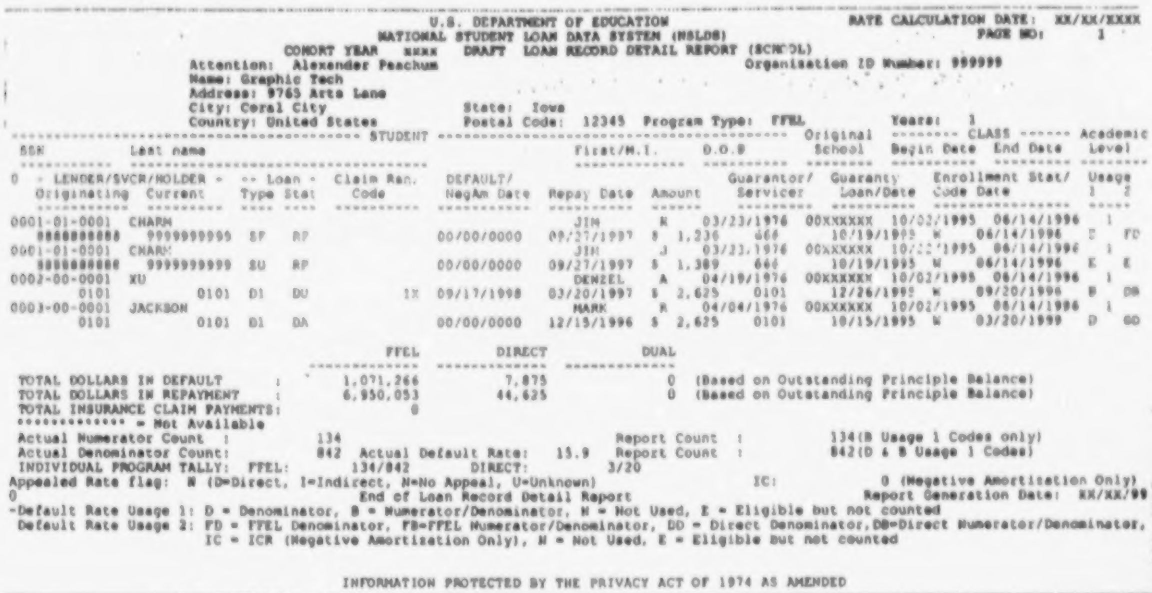
SFA.schools.default.management@ed.gov

Because some foreign schools do not have access to the NSLDS online system, a foreign school that wants an electronic copy of its loan record detail report must request the electronic copy from Default Management.

The Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all cohort default rate loan data, including the loan record detail reports

Are the loan record detail reports subject to the Privacy Act?

Because loan record detail reports contain personal identification information about borrowers who received loans under the FFEL and Direct Loan programs, the Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all cohort default rate loan data, including the loan record detail reports. State and local laws and regulations may also govern the use of this material. Recipients must take appropriate steps to ensure that this material is used and discarded properly.



```
                                             U.S. DEPARTMENT OF EDUCATION                          RATE CALCULATION DATE:  XX/XX/XXXX
                                           NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)                              PAGE NO:      1
                                  COHORT YEAR   xxxx   DRAFT  LOAN RECORD DETAIL REPORT (SCHOOL)
                      Attention:  Alexander Peachum                                   Organization ID Number: 999999
                      Name: Graphic Tech
                      Address: 9765 Arts Lane
                      City: Coral City                      State:  Iowa
                      Country: United States                Postal Code:  12345  Program Type:  FFEL               Years:   1
 -------------------------------------------- STUDENT ------------------------------------------ Original  --------- CLASS ------ Academic
  SSN           Last name                                                First/M.I.     D.O.B       School   Begin Date  End Date    Level
  -----------  -----------------------------------                       -------------  ----------  --------  ----------  ---------  --------
 0  - LENDER/SVCR/HOLDER -  -- Loan -  Claim Ren.   DEFAULT/                                     Guarantor/  Guaranty     Enrollment Stat/  Usage
    Originating  Current    Type Stat     Code      NegAm Date   Repay Date  Amount   Servicer    Loan/Date   Code Date            1   2
    -----------  ---------  ---- ----  ----------  -----------  ----------  ------   ---------  ----------  ----------------  -----
 0001-01-0001  CHARM                                                 JIM         K     03/23/1976  00XXXXXX  10/02/1995  06/14/1996   1
    8888888888    9999999999  SF   RP                  00/00/0000   09/27/1997  $  1,236     666         10/19/1995  W     06/14/1996   E   FD
 0001-01-0001  CHARM                                                 JIM         J     03/23/1976  00XXXXXX  10/02/1995  06/14/1996   1
    8888888888    9999999999  SU   RP                  00/00/0000   09/27/1997  $  1,389     666         10/19/1995  W     06/14/1996   E   E
 0002-00-0001  XU                                                    DENZEL      A     04/19/1976  00XXXXXX  10/02/1995  06/14/1996   1
         0101            0101  D1   DU             1X  09/17/1998   03/20/1997  $  2,625     0101        12/26/1995  W     09/20/1996   B   DB
 0003-00-0001  JACKSON                                               MARK        R     04/04/1976  00XXXXXX  10/02/1995  06/14/1996   1
         0101            0101  D1   DA                 00/00/0000   12/15/1996  $  2,625     0101        10/15/1995  W     03/20/1999   D   DD

                                              FFEL            DIRECT            DUAL
                                         -------------   -------------   -------------
  TOTAL DOLLARS IN DEFAULT       :           1,071,266           7,875               0   (Based on Outstanding Principle Balance)
  TOTAL DOLLARS IN REPAYMENT     :           6,950,053          44,625               0   (Based on Outstanding Principle Balance)
  TOTAL INSURANCE CLAIM PAYMENTS:                    0
  ************** = Not Available
  Actual Numerator Count  :              134                                 Report Count  :            134(B Usage 1 Codes only)
  Actual Denominator Count:              842  Actual Default Rate:   15.9   Report Count  :            842(D & B Usage 1 Codes)
  INDIVIDUAL PROGRAM TALLY:  FFEL:         134/842         DIRECT:          3/20
 Appealed Rate flag:  N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)                  IC:              0 (Negative Amortization Only)
 0                                           End of Loan Record Detail Report                          Report Generation Date:  XX/XX/99
 -Default Rate Usage 1: D = Denominator, B = Numerator/Denominator, N = Not Used, E = Eligible but not counted
  Default Rate Usage 2: FD = FFEL Denominator, FB=FFEL Numerator/Denominator, DD = Direct Denominator,DB=Direct Numerator/Denominator,
                        IC = ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

                                            INFORMATION PROTECTED BY THE PRIVACY ACT OF 1974 AS AMENDED
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Figure 2.3.2

Sample Loan Record Detail Report

How does a school read a loan record detail report?

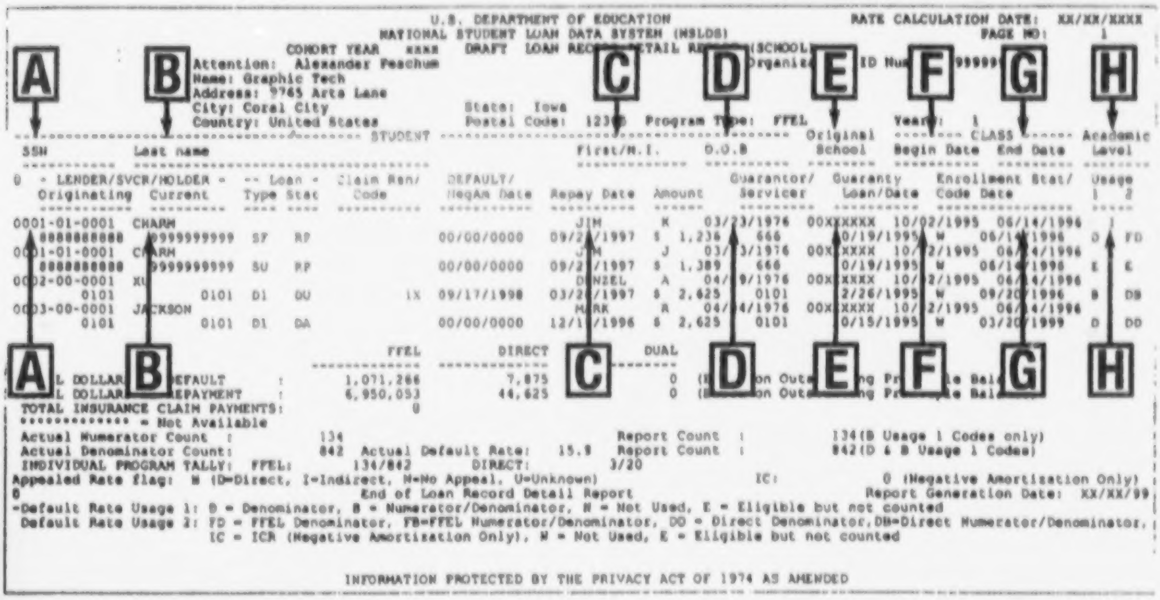
There are three sections to a loan record detail report: the title, body, and summary. Figure 2.3.2 is a sample loan record detail report. Like all of the sample loan record detail reports in this chapter, the title is shaded blue, the body is white, and the summary is shaded tan.

Title

The title section is located at the top of each page of the loan record detail report. This section includes information identifying the school name, Office of Postsecondary Education Identification Number (OPE ID – this is called the Organization ID Number on the loan record detail report), and address. It lists the cohort fiscal year and the date the cohort default rate was calculated, and it shows the school's program type, which will be FFEL, Direct Loan, or Dual. The title section also specifies whether the loan record detail report is for the draft or official cohort default rates and indicates that the loan record detail report was generated for a school, not a data manager.

All dates in the loan record detail report are listed in a MM/DD/CCYY format, where MM is the month, DD is the day, CC is the century, and YY is the year.

The title section shows the number of years included in the cohort default rate calculation. On the loan record detail report for the official cohort default rates, this figure will be either a "1" or a "3" because an official cohort default rate might be an average rate based on three cohort fiscal years worth of data. This figure will always be a "1" on the loan record detail report for the draft cohort default rates.



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                                          U.S. DEPARTMENT OF EDUCATION                              RATE CALCULATION DATE:  XX/XX/XXXX
                                    NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)                                      PAGE NO:       1
                           COHORT YEAR   XXXX   DRAFT  LOAN REC    ETAIL R     (SCHOOL)
                   Attention:  Alexander Peachum                               Organiz     ID Nu      99999
                   Name: Graphic Tech
                   Address: 9765 Arts Lane
                   City: Coral City                  State:   Iowa
                   Country: United States            Postal Code:   123    Program T pe:   FFEL        Yea  :    1
------------------------------------------ STUDENT -------------------------------------- Original  --------- CLASS ------ Academic
 SSN          Last name                                  First/M.I.          D.O.B          School   Begin Date  End Date    Level
 ----------   ------------------------------------       ------------   ----------     --------   ----------  ---------  --------
 D  - LENDER/SVCR/HOLDER -  -- Loan -  Claim Rem/   DEFAULT/                              Guarantor/  Guaranty     Enrollment Stat/    Usage
    Originating   Current   Type Stat     Code      NegAm Date    Repay Date   Amount     Servicer    Loan/Date    Code Date           1   2
    -----------   --------  ---- ----  ----------   ----------    ----------   ------     --------   ----------   ----------------   -----
0001-01-0001  CHARM                                                JIM          K     03/ 3/1976  00X XXXX  10/02/1995  06/14/1996    1
    8888888888   9999999999  SF   RP                00/00/0000   09/2 /1997  $  1,236    666        0/19/1995   W    06/1 /1996   D   FD
0001-01-0001  C ARM                                                J M          J     03/ 3/1976  00X XXXX  10/ 2/1995  06/ 4/1996
    8888888888   9999999999  SU   RP                00/00/0000   09/2 /1997  $  1,389    666        0/19/1995   W    06/1 /1996   E   E
0002-00-0001  XU                                                   D NZEL       A     04/ 9/1976  00X XXXX  10/ 2/1995  06/ 4/1996
        0101          0101   D1   DU            1X  09/17/1998   03/2 /1997  $  2,625    0101       2/26/1995   W    09/20/1996   B   DB
0003-00-0001  J CKSON                                              M RK         A     04/ 4/1976  00X XXXX  10/ 2/1995  06/ 4/1996
        0101          0101   D1   DA                00/00/0000   12/1 /1996  $  2,625    0101       0/15/1995   W    03/20/1999   D   DD

                                       FFEL            DIRECT                DUAL
                                -------------    -------------           ---------
   L DOLLAR   EFAULT       :       1,071,266          7,875                   0    (   on Outs    ng Pr     le Bal
   L DOLLAR   EPAYMENT     :       6,950,053         44,625                   0    (   on Out     ng Pr     e Bal
 TOTAL INSURANCE CLAIM PAYMENTS:           0
 ************* = Not Available
 Actual Numerator Count   :            134                               Report Count   :         134(B Usage 1 Codes only)
 Actual Denominator Count:             842  Actual Default Rate:    15.9  Report Count   :         842(D & B Usage 1 Codes)
 INDIVIDUAL PROGRAM TALLY:  FFEL:        134/842        DIRECT:          3/20
Appealed Rate flag:  N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)                  IC:          0 (Negative Amortization Only)
D                                 End of Loan Record Detail Report                           Report Generation Date:   XX/XX/99
-Default Rate Usage 1: D = Denominator, B = Numerator/Denominator, N = Not Used, E = Eligible but not counted
 Default Rate Usage 2: FD = FFEL Denominator, FB=FFEL Numerator/Denominator, DD = Direct Denominator,DB=Direct Numerator/Denominator,
                      IC = ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

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Figure 2.3.3

Sample Loan Record Detail Report with Identifiers A-H

Body

The body of the loan record detail report follows the title section. On each page with data there are two horizontal rows set off by hashed lines. These rows contain headers for the data contained in the body of the loan record detail report. The data listed under the headers provides information on the loans used to calculate the school's cohort default rate. The headers correspond to the various data elements provided for each loan. Each loan has two rows of information. The second row of information is indented by several spaces.

The following pages contain a description of each element in the body section of the loan record detail report. Each element listing contains

- a letter that corresponds to the element on the sample loan record detail report (identifying letters have been added to the body on the sample loan record detail reports to correspond with each header),
- the element title as it appears on the loan record detail report, and
- a brief description of the element.

The first row of loan data contains eight elements. Figure 2.3.3 is a sample loan record detail report highlighting these eight elements.

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The first four elements in the first row of loan data identify the borrower associated with the loan. These are

A. SSN: The borrower's Social Security Number.

B. Last Name: The borrower's last name.

C. First/M.I.: The borrower's first name and middle initial.

D. D.O.B.: The borrower's date of birth.

The last four elements in the first row of loan data are

E. Original School: The OPE ID of the school that originally certified or originated the loan.

F. Class Begin Date: The date the loan period began.

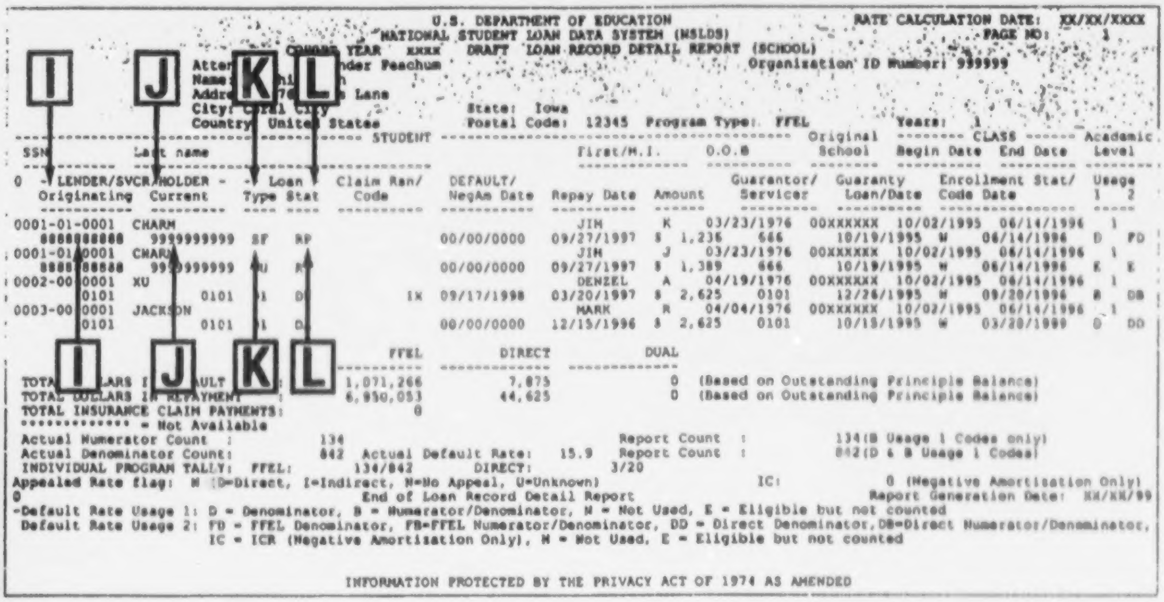
G. Class End Date: The date the loan period ended.

H. Academic Level: The academic level of the borrower when the loan was obtained. Figure 2.3.4 lists the codes used to identify the academic level.

Code	Description
1	Freshman/First Year
2	Sophomore/Second Year
3	Junior/Third Year
4	Senior/Fourth Year
5	Fifth Year/Other
A	First Year Graduate/Professional
B	Second Year Graduate/Professional
C	Third Year Graduate/Professional
D	Beyond Third Year Graduate/Professional
G	Graduate/Professional
N	Not Available

Figure 2.3.4

Academic Level Codes



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                              U.S. DEPARTMENT OF EDUCATION                     RATE CALCULATION DATE:  XX/XX/XXXX
                         NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)                              PAGE NO:     1
                     COHORT YEAR  XXXX  DRAFT  LOAN RECORD DETAIL REPORT (SCHOOL)
            Atter             nder Peachum                          Organization ID Number: 999999
            Name:      i     n
            Addr        7        Lane
            City:    ral City                   State:  Iowa
            Country   Unite  States              Postal Code:  12345  Program Type:  FFEL           Years:   1
---------------------------------------------- STUDENT ----------------------------- Original  -------- CLASS ------ Academic
 SSN          Last name                                     First/M.I.     D.O.B      School   Begin Date  End Date    Level
 -----------  -------------------------------------------  ------------- ----------  --------  ----------  ---------  ---------
0  - LENDER/SVCR/HOLDER -  - Loan    Claim Ran/  DEFAULT/                          Guarantor/  Guaranty   Enrollment Stat/  Usage
   Originating  Current    Type Stat    Code     NegAm Date   Repay Date  Amount    Servicer   Loan/Date  Code Date         1   2
   -----------  ---------  ---- ----  ---------- -----------  ----------  ------   ---------  ----------  ---------------- -----
0001-01-0001  CHARM                                             JIM        K     03/23/1976  00XXXXXX  10/02/1995  06/14/1996   1
   8888 88888   9 99999999  SF   RP              00/00/0000  09/27/1997  $ 1,236     666       10/19/1995  W   06/14/1996   D   FD
0001-01 0001  CHAR                                              JIM        J     03/23/1976  00XXXXXX  10/02/1995  06/14/1996   1
   8888 88888   99 999999    U   R               00/00/0000  09/27/1997  $ 1,389     666       10/19/1995  W   06/14/1996   E   E
0002-00 0001  XU                                                DENZEL     A     04/19/1976  00XXXXXX  10/02/1995  06/14/1996   1
        0101          0101   1   D           IX  09/17/1998  03/20/1997  $ 2,625    0101       12/26/1995  W   09/20/1996   B   DB
0003-00 0001  JACKS N                                           MARK       R     04/04/1976  00XXXXXX  10/02/1995  06/14/1996   1
        0101          0101   1   D               00/00/0000  12/15/1996  $ 2,625    0101       10/15/1995  W   03/20/1999   D   DD

                                              FFEL            DIRECT            DUAL
                                          -----------     -------------     -------------
 TOTA    LARS I     ULT                    1,071,266           7,875                 0   (Based on Outstanding Principle Balance)
 TOTAL DOLLARS IN REPAYMENT          :     6,950,053          44,625                 0   (Based on Outstanding Principle Balance)
 TOTAL INSURANCE CLAIM PAYMENTS:                   0
 ************* = Not Available
 Actual Numerator Count  :              134                                  Report Count  :          134(B Usage 1 Codes only)
 Actual Denominator Count:              842  Actual Default Rate:   15.9     Report Count  :          842(D & B Usage 1 Codes)
 INDIVIDUAL PROGRAM TALLY:  FFEL:         134/842        DIRECT:         3/20
Appealed Rate flag:  N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)                        IC:            0 (Negative Amortization Only)
0                                       End of Loan Record Detail Report                              Report Generation Date:  XX/XX/99
-Default Rate Usage 1: D = Denominator, B = Numerator/Denominator, N = Not Used, E = Eligible but not counted
 Default Rate Usage 2: FD = FFEL Denominator, FB=FFEL Numerator/Denominator, DD = Direct Denominator,DB=Direct Numerator/Denominator,
                       IC = ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

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Figure 2.3.5

Sample Loan Record Detail Report with Identifiers I-L

The second row of loan data contains 14 elements. Figure 2.3.5 is a sample loan record detail report highlighting the first four elements in the second row of the loan data. These are

I. Originating Lender/Servicer/Holder: The entity that provided the loan to the borrower.

J. Current Lender/Servicer/Holder: The loan holder at the time the cohort default rate was calculated.

K. Loan Type: The type of FFEL or Direct Loan the borrower obtained. Figure 2.3.6 lists the codes used to identify the loan type.

Figure 2.3.6

Loan Type Codes

Code	Description
CL	FFEL Consolidated Loan
D1	Direct Subsidized Loan
D2	Direct Unsubsidized Loan
D4	Direct PLUS Loan
D5	Direct Unsubsidized Consolidation Loan
D6	Direct Subsidized Consolidation Loan
D7	Direct PLUS Consolidation Loan
PL	FFEL PLUS Loan
RF	FFEL Refinanced Loan
SF	FFEL Subsidized Stafford Loan
SL	FFEL Supplemental Loans for Students Loan
SU	FFEL Unsubsidized Stafford Loan

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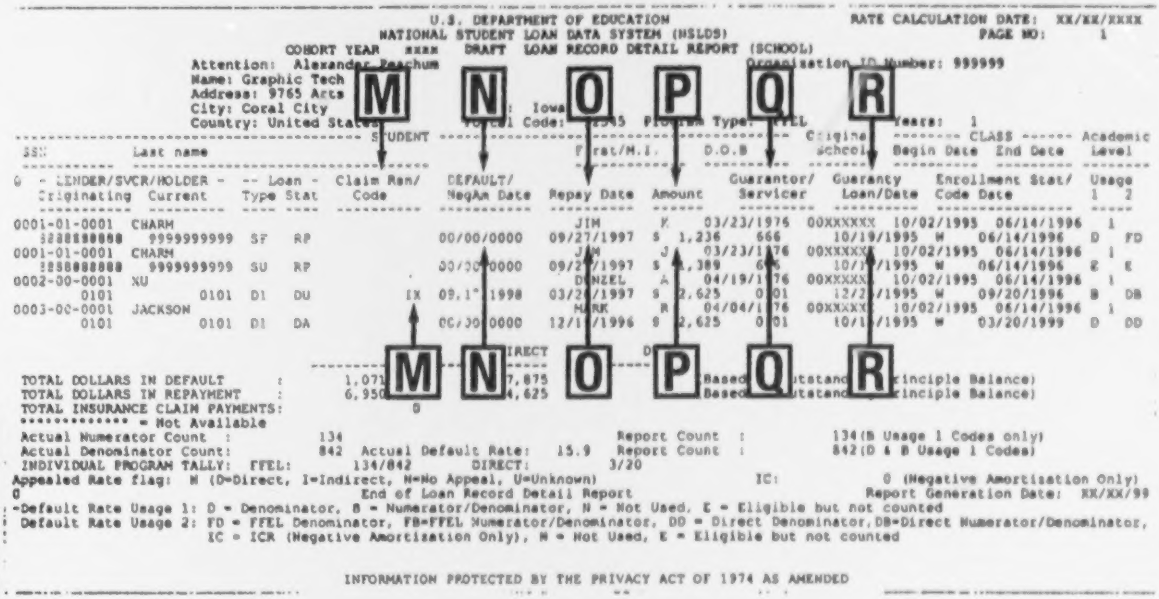
L. Loan Stat: The loan status at the time the cohort default rate was calculated. Figure 2.3.7 lists the codes used to identify the loan status.

Figure 2.3.7

Loan Status Codes

Code	Description
*AL	Abandoned Loan
BC	Bankruptcy Claim, Discharged
BK	Bankruptcy Claim, Active
CA	Canceled
*CS	Closed School Discharge
DA	Deferred
DB	Defaulted, Then Bankrupt, Active, Chapter 13
DC	Defaulted, Compromise
DD	Defaulted, Then Died
DE	Death
*DF	Defaulted, Unresolved
DI	Disability
DK	Defaulted, Then Bankrupt, Discharged, Chapter 13
DL	Defaulted, In Litigation
*DN	Defaulted, Paid in Full Through Consolidation Loan
DO	Defaulted, Then Bankrupt, Active, Other
DP	Defaulted, Paid in Full
*DR	Defaulted Loan Included in Roll-Up Loan
DS	Defaulted, Then Disabled
DT	Defaulted, Collection Terminated
DU	Defaulted, Unresolved
DW	Defaulted, Write-Off
DX	Defaulted, Six Consecutive Payments
*DZ	Defaulted, Six Consecutive Payments, Then Missed Payment
FB	Forbearance
*FC	False Certification Discharge
*IA	Loan Originated
ID	In School or Grace Period
*IG	In Grace Period
*IM	In Military Grace
OD	Defaulted, Then Bankrupt, Discharged, Other
PC	Paid in Full Through Consolidation Loan
PF	Paid in Full
*PM	Presumed Paid in Full
*PN	Non-Defaulted, Paid in Full Through Consolidation Loan
RF	Refinanced
RP	In Repayment
*UA	Temporarily Uninsured-No Default Claim Requested
*UB	Temporarily Uninsured-Default Claim Denied
*UC	Permanently Uninsured/Unreinsured-No Default Claim Requested
*UD	Permanently Uninsured/Unreinsured-Default Claim Denied
UI	Unreinsured
*XD	Defaulted, Six Consecutive Payments

*Loan status codes effective July 1, 2001



```
                                        U.S. DEPARTMENT OF EDUCATION                     RATE CALCULATION DATE:  XX/XX/XXXX
                                    NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)                      PAGE NO:       1
                          COHORT YEAR  xxxx   DRAFT  LOAN RECORD DETAIL REPORT (SCHOOL)
                  Attention:  Alexander Peachum                           Organization ID Number: 999999
                  Name: Graphic Tech
                  Address: 9765 Arts
                  City: Coral City                  :  Iowa
                  Country: United States              Postal Code:   2345  Program Type:  FFEL            Years:   1
---------------------------------------- STUDENT ------------------------------------------- Original  --------- CLASS ------ Academic
 SSN           Last name                                 First/M.I.       D.O.B             School    Begin Date  End Date    Level
-----------  --------------------------------------     ------------   ----------          --------  ----------  ----------  --------
0 - LENDER/SVCR/HOLDER -  -- Loan -  Claim Rsn/  DEFAULT/                            Guarantor/  Guaranty    Enrollment Stat/   Usage
  Originating  Current    Type Stat    Code     NegAm Date   Repay Date   Amount       Servicer    Loan/Date   Code Date          1   2
  -----------  ---------  ---- ----  ----------  ----------  ----------   ------      ---------   ---------   ---------------    -----
0001-01-0001  CHARM                                              JIM          K   03/23/1976  00XXXXXX  10/02/1995  06/14/1996   1
   3888888888   9999999999  SF   RP               00/00/0000  09/27/1997   $ 1,236      666        10/19/1995  W   06/14/1996   D   FD
0001-01-0001  CHARM                                              JIM          J   03/23/1976  00XXXXXX  10/02/1995  06/14/1996   1
   3858888888   9999999999  SU   RP               00/00/0000  09/27/1997   $ 1,389      666        10/19/1995  W   06/14/1996   E   E
0002-00-0001  XU                                                 DENZEL       A   04/19/1976  00XXXXXX  10/02/1995  06/14/1996   1
         0101            0101  D1   DU         IX  09/1 /1998  03/2 /1997   $ 2,625      0101       12/2 /1995  W   09/20/1996   B   DB
0003-00-0001  JACKSON                                            MARK         R   04/04/1976  00XXXXXX  10/02/1995  06/14/1996   1
         0101            0101  D1   DA             00/00/0000  12/1 /1996   $ 2,625      0101       10/1 /1995  W   03/20/1999   D   DD

                                                         DIRECT               D
                                        ------------------------------------------
 TOTAL DOLLARS IN DEFAULT      :        1,071              7,875                  (Based    utstand       rinciple Balance)
 TOTAL DOLLARS IN REPAYMENT    :        6,950              4,625                  (Based    utstand       rinciple Balance)
 TOTAL INSURANCE CLAIM PAYMENTS:                0
 ************* = Not Available
 Actual Numerator Count  :             134                                 Report Count  :          134(B Usage 1 Codes only)
 Actual Denominator Count:             842  Actual Default Rate:   15.9    Report Count  :          842(D & B Usage 1 Codes)
 INDIVIDUAL PROGRAM TALLY:  FFEL:          134/842        DIRECT:         3/20
Appealed Rate flag:  N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)                  IC:           0 (Negative Amortization Only)
0                                      End of Loan Record Detail Report                        Report Generation Date:  XX/XX/99
-Default Rate Usage 1: D = Denominator, B = Numerator/Denominator, N = Not Used, E = Eligible but not counted
 Default Rate Usage 2: FD = FFEL Denominator, FB=FFEL Numerator/Denominator, DD = Direct Denominator,DB=Direct Numerator/Denominator,
                       IC = ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

                                 INFORMATION PROTECTED BY THE PRIVACY ACT OF 1974 AS AMENDED
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Figure 2.3.8

Sample Loan Record Detail Report with Identifiers M-R

Figure 2.3.8 is a sample loan record detail report highlighting the next six elements in the second row of loan data. These six elements are

M. Claim Rsn/Code: The claim reason code identifies why a claim was paid on a FFEL or if a Direct Loan is considered in default because the borrower has defaulted or met other specified conditions. Figure 2.3.9 lists the codes used to identify the claim reason.

Figure 2.3.9

Claim Reason Codes

Code	Description
BC	FFEL Bankruptcy, Chapter 13
BO	FFEL Bankruptcy, Other
CS	FFEL Closed School
DE	FFEL Death
DF	FFEL Default
DI	FFEL Disability
EX	FFEL Exempt
FC	FFEL False Certification
IN	Direct Loan, Income Contingent Negative Amortization
IX	Direct Loan, Defaulted Loan

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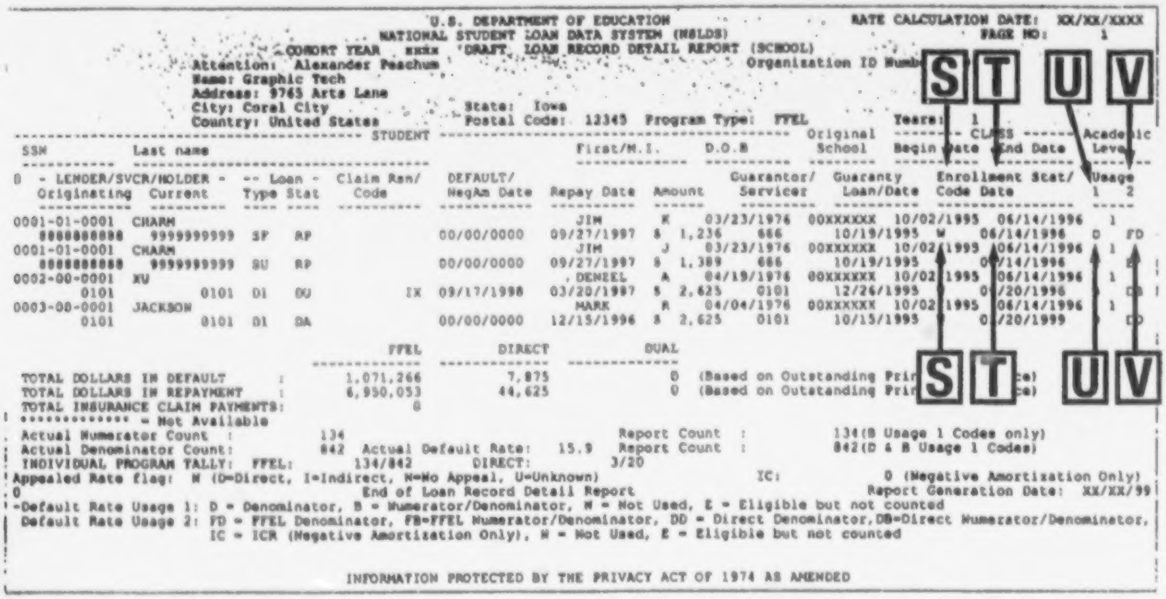
N. Default/NegAm Date: This is the date a guaranty agency paid a default claim to a lender (claim paid date) on a FFEL or the day a Direct Loan is considered in default either because the borrower has defaulted (default date) or met other specified conditions resulting in negative amortization (NegAm date). The claim paid date, default date, or NegAm date determines if a loan is included in the numerator of the cohort default rate calculation.

O. Repay Date: The date the borrower entered into repayment on the loan. This date determines if a loan is included in the denominator of the cohort default rate calculation.

P. Amount: The original principal amount of the loan.

Q. Guarantor/Servicer: The data manager responsible for the loan. See the data manager codes and addresses in Chapter 2.6, "General Information Tools."

R. Guaranty Loan/Date: The date that the guaranty agency insured a FFEL or the first date of disbursement for a Direct Loan.



```
                              U.S. DEPARTMENT OF EDUCATION                    RATE CALCULATION DATE:  XX/XX/XXXX
                         NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)                           PAGE NO:      1
              COHORT YEAR  xxxx  'DRAFT  LOAN RECORD DETAIL REPORT (SCHOOL)
          Attention:  Alexander Peachum                      Organization ID Numb
          Name: Graphic Tech
          Address: 9765 Arts Lane
          City: Coral City                 State:  Iowa
          Country: United States           Postal Code:  12345  Program Type:  FFEL       Years:   1
---------------------------------------- STUDENT ------------------------------ Original  -------- CL SS ------ Acade ic
 SSN          Last name                                 First/M.I.     D.O.B     School   Begin  ate   nd Date    Leve
 ----------   -------------------------------           ------------  ---------  -------  ---------- ---------- --------
B  - LENDER/SVCR/HOLDER -  -- Loan -  Claim Rsn/  DEFAULT/                        Guarantor/  Guaranty    Enrollment Stat/  Usage
  Originating  Current     Type Stat   Code       NegAm Date  Repay Date  Amount   Servicer   Loan/Date   Code Date           1   2
  ----------  ---------    ---- ----  ----------  ----------  ----------  ------  ---------   ---------   ----------------   -----
0001-01-0001  CHARM                                               JIM       K    03/23/1976  00XXXXXX  10/02/1995  06/14/1996   1
  8888888888   9999999999  SP   RP                00/00/0000  09/27/1997  $ 1,236      666     10/19/1995  W    06/14/1996  D    FD
0001-01-0001  CHARM                                               JIM       J    03/23/1976  00XXXXXX  10/02 1995  06/14/1996   1
  8888888888   9999999999  SU   RP                00/00/0000  09/27/1997  $ 1,389      666     10/19/1995       0 /14/1996
0002-00-0001  XU                                                , DENZEL    A    04/19/1976  00XXXXXX  10/02 1995  06/14/1996   1
        0101          0101 D1   DU            IX  09/17/1998  03/20/1997  $ 2,625     0101     12/26/1995       0 /20/1996        D
0003-00-0001  JACKSON                                             MARK      R    04/04/1976  00XXXXXX  10/02 1995  06/14/1996   1
        0101          0101 D1   DA                00/00/0000  12/15/1996  $ 2,625     0101     10/15/1995       0 /20/1999        D

                                           FFEL          DIRECT           DUAL
                                       ------------  ------------  ------------
 TOTAL DOLLARS IN DEFAULT        :        1,071,266         7,875             0  (Based on Outstanding Prin           ce)
 TOTAL DOLLARS IN REPAYMENT      :        6,950,053        44,625             0  (Based on Outstanding Prin           ce)
 TOTAL INSURANCE CLAIM PAYMENTS:                  0
 ************* = Not Available
 Actual Numerator Count  :             134                            Report Count   :          134(B Usage 1 Codes only)
 Actual Denominator Count:             842  Actual Default Rate:   15.9   Report Count   :          842(D & B Usage 1 Codes)
 INDIVIDUAL PROGRAM TALLY:  FFEL:        134/842         DIRECT:         3/20
Appealed Rate flag:  N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)             IC:                0 (Negative Amortization Only)
0                                      End of Loan Record Detail Report                  Report Generation Date:  XX/XX/99
-Default Rate Usage 1: D = Denominator, B = Numerator/Denominator, N = Not Used, E = Eligible but not counted
 Default Rate Usage 2: FD = FFEL Denominator, FB=FFEL Numerator/Denominator, DD = Direct Denominator,DB=Direct Numerator/Denominator,
                       IC = ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

                                 INFORMATION PROTECTED BY THE PRIVACY ACT OF 1974 AS AMENDED
```

Figure 2.3.10

Sample Loan Record Detail Report with Identifiers S-V

Figure 2.3.10 is a sample loan record detail report highlighting the final four elements in the second row of loan data. These elements are

S. Enrollment Stat Code: The borrower's enrollment status at the time the cohort default rate was calculated. The enrollment status code does not necessarily reflect the borrower's enrollment at the school that is listed on the loan record detail report. The enrollment status code may reflect a subsequent enrollment by the borrower at a different school. Figure 2.3.11 lists the enrollment status codes.

Figure 2.3.11

Enrollment Status Codes

Code	Description
A	Approved leave of absence
D	Deceased
F	Full-time
G	Graduated
H	Half-time or more, but less than full-time
L	Less than half-time
N	Not available
W	Withdrawn
X	Never attended
Z	No record found

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T. Enrollment Stat Date: The last date the borrower's enrollment status changed. If no date is available, the data manager may use 01/01/1900. The enrollment status date does not necessarily reflect the borrower's enrollment at the school that is listed on the loan record detail report. The enrollment status date may reflect a subsequent enrollment by the borrower at a different school.

U. Usage 1: This code identifies how the borrower is used in the school's cohort default rate calculation. Figure 2.3.12 lists the Usage 1 codes.

Code	Description
D	Denominator only
B	Both Numerator and Denominator
N	Not used
E	Eligible, but not counted

Figure 2.3.12

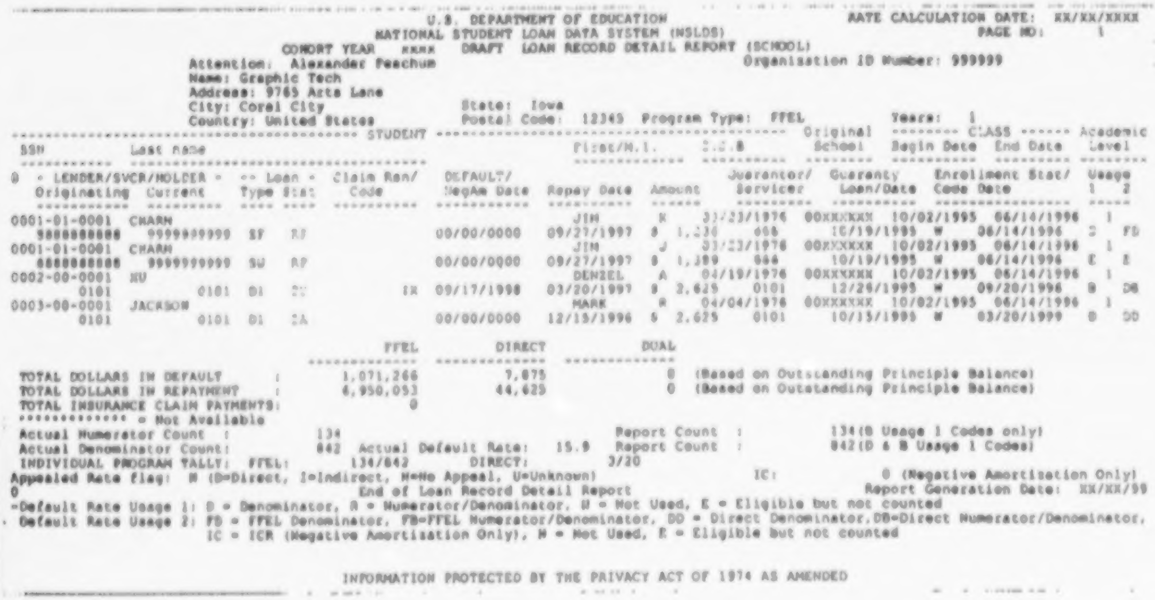
Usage 1 Codes

V. Usage 2: This code identifies how the borrower is counted in each individual loan program. Figure 2.3.13 lists the Usage 2 codes.

Code	Description	How Borrower is Included in the Cohort Default Rate Calculation
FD	FFEL	Denominator
FB	FFEL	Numerator and Denominator
DD	Direct Loan	Denominator
DB	Direct Loan	Numerator and Denominator
IC	Direct Loan Program NegAm/ICR	Numerator and Denominator
N	FFEL/Direct Loan	Not included in the cohort default rate calculation
E	FFEL/Direct Loan	Eligible, but not counted or used in the cohort default rate calculation

Figure 2.3.13

Usage 2 Codes



```
                                    U.S. DEPARTMENT OF EDUCATION                              RATE CALCULATION DATE:  XX/XX/XXXX
                              NATIONAL STUDENT LOAN DATA SYSTEM (NSLDS)                                     PAGE NO:        1
                      COHORT YEAR   XXXX   DRAFT  LOAN RECORD DETAIL REPORT (SCHOOL)
                 Attention:  Alexander Peachum                                       Organization ID Number: 999999
                 Name: Graphic Tech
                 Address: 9765 Arts Lane
                 City: Coral City                        State:  Iowa
                 Country: United States                  Postal Code:  12345  Program Type:  FFEL         Years:   1
---------------------------------------------- STUDENT ------------------------------- Original  -------- CLASS ------ Academic
 SSN           Last Name                                         First/M.I.     D.O.B         School    Begin Date  End Date   Level
 -----------   -------------------------------------             -------------  ----------   --------  ----------  ---------  --------
0  - LENDER/SVCR/HOLDER -  -- Loan -  Claim Rsn/   DEFAULT/                              Guarantor/  Guaranty    Enrollment Stat/  Usage
   Originating  Current    Type Stat    Code       NegAm Date  Repay Date   Amount        Servicer     Loan/Date   Code Date         1   2
   -----------  ---------  ---- ----  ----------   ----------  ----------   ------       ---------  ----------  ----------------  -----
0001-01-0001  CHARM                                               JIM        K      03/23/1976  00XXXXXX  10/02/1995  06/14/1996    1
   888888888888   9999999999  SF   RP                00/00/0000  09/27/1997  $  1,236     666       10/19/1995  W      06/14/1996  D    FD
0001-01-0001  CHARM                                               JIM        J      03/23/1976  00XXXXXX  10/02/1995  06/14/1996    1
   888888888888   9999999999  SU   RP                00/00/0000  09/27/1997  $  1,389     666       10/19/1995  W      06/14/1996  E    E
0002-00-0001  XU                                                  DENZEL     A      04/19/1976  00XXXXXX  10/02/1995  06/14/1996    1
         0101            0101  D1   DU          IX   09/17/1998  03/20/1997  $  2,625     0101      12/26/1995  W      09/20/1996  B    DB
0003-00-0001  JACKSON                                             MARK       R      04/04/1976  00XXXXXX  10/02/1995  06/14/1996    1
         0101            0101  D1   DA               00/00/0000  12/15/1996  $  2,625     0101      10/15/1995  W      03/20/1999  D    DD

                                              FFEL            DIRECT            DUAL
                                        -------------   -------------   -------------
 TOTAL DOLLARS IN DEFAULT        :          1,071,266           7,875               0   (Based on Outstanding Principle Balance)
 TOTAL DOLLARS IN REPAYMENT      :          6,950,053          44,625               0   (Based on Outstanding Principle Balance)
 TOTAL INSURANCE CLAIM PAYMENTS:                    0
 ************** = Not Available
 Actual Numerator Count   :            134                              Report Count   :                134(B Usage 1 Codes only)
 Actual Denominator Count:             842   Actual Default Rate:   15.9   Report Count   :                842(D & B Usage 1 Codes)
 INDIVIDUAL PROGRAM TALLY:  FFEL:         134/842        DIRECT:          3/20
Appealed Rate flag:  N (D=Direct, I=Indirect, N=No Appeal, U=Unknown)                  IC:                0 (Negative Amortization Only)
0                                       End of Loan Record Detail Report                                Report Generation Date:  XX/XX/99
-Default Rate Usage 1: D = Denominator, B = Numerator/Denominator, N = Not Used, E = Eligible but not counted
 Default Rate Usage 2: FD = FFEL Denominator, FB=FFEL Numerator/Denominator, DD = Direct Denominator,DB=Direct Numerator/Denominator,
                       IC = ICR (Negative Amortization Only), N = Not Used, E = Eligible but not counted

                                        INFORMATION PROTECTED BY THE PRIVACY ACT OF 1974 AS AMENDED
```

Figure 2.3.14

Sample Loan Record Detail Report - Summary Section in Tan

Summary

The last section of the loan record detail report provides a summary of the data contained in the loan record detail report. Figure 2.3.14 is the sample loan record detail report with the summary section shaded tan. Looking down the left side, the first three rows of the summary show

- the Total Dollars in Default, which is the total outstanding principal balance (including any interest that has accrued on the loan since it went into default) for the defaulted loans that are included in the cohort default rate calculation;
- the Total Dollars in Repayment, which is the total dollar volume for loans that have entered repayment during the cohort fiscal year in question; and
- the Total Insurance Claim Payments, which is the actual amount of guaranty agency claims paid to lenders on FFELs.

Because the Total Dollars in Default also includes interest, this figure will not match the Total Insurance Claim Payments, which does not include interest.

The summary then shows the figures used in the cohort default rate calculation. The numerator is represented by two elements: Actual Numerator Count and Report Count for the numerator. The actual numerator count is the total number of unduplicated borrowers included in the numerator of the cohort default rate calculation. The report numerator count represents the unduplicated borrowers listed on the loan record detail report with a "B" in the Usage 1 Code field.

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The denominator is also represented by two elements: Actual Denominator Count and the Report Count for the denominator. The actual denominator count is the total number of unduplicated borrowers included in the denominator of the cohort default rate calculation. The report denominator count represents the unduplicated borrowers listed on the loan record detail report with a "D" or "B" in the Usage 1 Code field.

The actual counts and the report counts may differ on the loan record detail report for the official cohort default rates if the school's cohort default rate was changed due to a cohort default rate adjustment and/or appeal. The changes resulting from the cohort default rate adjustment and/or appeal are reflected in the actual counts but not in the report counts.

Placed among these elements is the element for the Actual Default Rate. The actual default rate is only based on one cohort fiscal year of data, which is, in most cases, the school's cohort default rate. However, if a school has 29 or fewer borrowers entering repayment in the cohort default rate calculation or if the school has a combined, substituted, or merged cohort default rate, the actual default rate will not reflect the school's cohort default rate.

The summary then shows the school's Individual Program Tally. The individual program tally is not a school's cohort default rate. The individual program tally is purely informational; it tells the school the number of borrowers identified with each loan program and the number of those borrowers who have defaulted or met other specified conditions.

The Appealed Rate Flag element follows the individual program tallies. The appealed rate flag indicates whether the cohort default rate has been changed due to a cohort default rate adjustment and/or appeal. Figure 2.3.15 lists the appealed rate flag codes.

Code	Description
D	**Direct** – School's cohort default rate altered due to the school's adjustment/appeal
I	**Indirect** – School's cohort default rate altered due to an adjustment/appeal filed by a different school in a combination/substitution/merger
N	**No appeal** – School's cohort default rate not altered by an adjustment/appeal
U	**Unknown** – Adjustment/Appeal status unknown for a cohort default rate prior to FY 1993

Figure 2.3.15

Appealed Rate Flag Codes

The final element in the summary is the IC (income contingent) field. The IC field identifies the number of Direct Loan borrowers in the cohort default rate calculation who attended a non-degree-granting proprietary school and are considered in default because they have been under an income contingent repayment plan for a specified period of time with scheduled monthly payments that are less than $15 and less than the interest accruing on the loan. If the school is not a non-degree-granting proprietary school or if it does not have any borrowers meeting these criteria, this field will be zero.

How does a school identify the data manager of a loan?

As mentioned, the element in the body of the loan record detail report titled "Guarantor/Servicer" shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. This "Guarantor/Servicer" number is used on the spreadsheets for submitting a challenge, adjustment, and/or appeal. See the data manager codes and addresses in Chapter 2.6, "General Information Tools."

Change in Status and Evasion

Chapter 2.4

What is a change in status? 2.4-1

How does a school's change in status affect the school's cohort default rate? 2.4-2

What types of actions are considered attempts to evade cohort default rate consequences? 2.4-4

Change in Status and Evasion

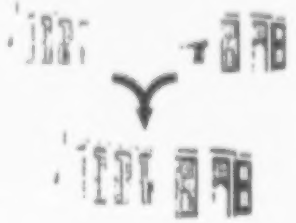
34 CFR 668.184
34 CFR 668.188

What is a change in status?

There are three types of change in status for cohort default rate purposes:

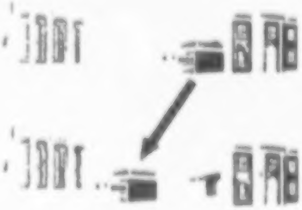
- Acquisition or Merger of Schools.

  The first type of change in status occurs when one of two things happens: either one existing school acquires another existing school (acquisition of schools) or two existing schools combine to form one new school (merger of schools).



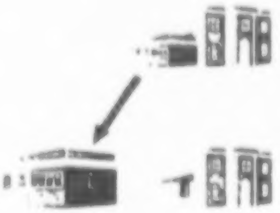
- Acquisition of Branches or Locations.

  The second type of change in status occurs when an existing school acquires a branch or location of another school. This type of change in status results in one expanded school and one former parent school.



- Branches or Locations Becoming Schools.

  The third type of change in status occurs when a branch or location of an existing school becomes an independent new school. This type of change in status results in one new school and one former parent school.



A campus or other entity is considered a school for cohort default purposes if it has its own OPE ID.

How does a school's change in status affect the school's cohort default rate?

A school involved in a merger, acquisition, or other change in status should be aware that the change may affect the application and calculation of its cohort default rates and that certain sanctions may be applicable to the school after the change in status. After a change in status, cohort default rates are applied to a school according to the type of change in status. Figure 2.4.1 outlines the cohort default rate effects of various types of changes in status.

Figure 2.4.1

Effect on Cohort Default Rates for Various Types of Changes in Status

Type of Change in Status	Historical Cohort Default Rates for the New School	Subsequent Three Year Cohort Default Rates for the New School	Fourth Year and Subsequent Year Cohort Default Rates for the New School	Cohort Default Rates for the Former Parent School
Acquisition or Merger of Schools	**The new school's historical cohort default rates will be the cohort default rates of the school involved in the change in status that has the highest total number of borrowers entering repayment in the two most recent cohort fiscal years for which cohort default rates have been published.**	**The new school's cohort default rates are determined by including all the applicable borrowers from each school involved in the acquisition or merger in the cohort default rate calculation.**	**The new school's cohort default rates are determined by including all the applicable borrowers from each school involved in the acquisition or merger in the cohort default rate calculation.**	**The former parent school no longer exists.**
Acquisition of Branches or Locations	The expanded school's historical cohort default rates will be the cohort default rates of the acquiring school.	The expanded school's first three cohort default rates published after the date of the change in status will be calculated using all the applicable borrowers from both the acquiring school and the school from which the branch or location was acquired, including all of its locations.	The expanded school's fourth cohort default rate published after the date of the change in status and the cohort default rates in subsequent cohort fiscal years will be calculated using only the applicable borrowers from the acquiring school.	The former parent school's cohort default rates are not affected by the change in status.
Branches or Locations Becoming Schools	The new school's historical cohort default rates will be the cohort default rates of the former parent school.	The new school's first three cohort default rates published after the date of the change in status will be calculated using all the applicable borrowers from both the new school and the former parent school, including all of its locations.	The new school's fourth cohort default rate published after the date of the change in status and for cohort default rates in subsequent cohort fiscal years will be calculated using only the applicable borrowers from the new school.	The former parent school's cohort default rates are not affected by the change in status.

Because different cohort default rates may be applied to a school as a result of a change in status, the school's eligibility may be jeopardized as a result of a change in status. All schools contemplating a change in status should submit a letter to Default Management at the U.S. Department of Education (the Department) before making the change. The letter should

- explain the proposed change in status,
- include the details of the change in status (for example, if the change is part of a teach-out), and
- request guidance regarding the consequences, if any, the change in status will have on the school's cohort default rate and the school's Title IV program eligibility.

The school should send a copy of the letter to Case Management and, if appropriate, to the school's Direct Loan Schools Relations contact. See Chapter 2.5, "Department Offices and Addresses," for Case Management and Direct Loan Schools Relations addresses.

Default Management will send a written response indicating how the historical, current, and future cohort default rates will be calculated based on the proposed change in status. Schools can use this response to evaluate whether the change in status will be beneficial or detrimental to the schools involved in the change.

If a school decides to change its status, the school must submit an application to report the change and request approval for the change for Title IV program purposes. For more information on submitting a change request, visit

http://www.eligcert.ed.gov

Once a change in status occurs, any of the schools whose cohort default rates are affected by the change in status can request a loan record detail report for any of the other schools whose borrowers are included in its cohort default rates as a result of the change in status. See Chapter 2.3, "Loan Record Detail Report," for information on requesting a loan record detail report. Further, after a change in status, a school may submit a challenge, adjustment, or appeal based on the data for another school's borrowers, under the same requirements that would be applicable to the other school, if the loans for those borrowers affect the school's cohort default rate.

Under certain circumstances, a school involved in a change in status may be required to assume the sanctions of another school involved in the change in status if the change is considered an attempt to evade cohort default rate sanctions.

What types of actions are considered attempts to evade cohort default rate consequences?

A school has attempted to evade cohort default sanctions if all the following conditions are met:

- The eligible school and the school subject to sanction are both parties to a transaction that results in change of ownership, change in control, merger, consolidation, acquisition, change of name, change of address, location becoming a freestanding school, purchase or sale, transfer of assets, assignment, change of identification number, contract for services, addition or closure of one or more locations or branches or educational programs, or any other change in whole or in part in the school's structure or identity.
- Before the change occurred, one of the schools involved in the change in status was subject to a sanction based on its cohort default rate.
- Following the change in status, the eligible school offers an educational program at substantially the same address at which the sanctioned school had offered an educational program before the change.
- There is a commonality of ownership or management between the eligible school and the sanctioned school, as the sanctioned school existed before the change. A commonality of ownership or management exists if, at each school, the same person, or a member of that person's family, directly or indirectly holds or held a managerial role or has or had the ability to substantially affect the school's actions.

All schools contemplating a change in status should submit a letter to Default Management before making the change. The letter should

- explain the proposed change in status,
- include the details of the change in status (for example, if the change is part of a teach-out), and
- request guidance regarding the consequences, if any, the change in status will have on the school's cohort default rate and the school's Title IV program eligibility.

The school should send a copy of the letter to Case Management and, if appropriate, to the school's Direct Loan Schools Relations. See Chapter 2.5, "Department Offices and Addresses," for Case Management and Direct Loan Schools Relations addresses.

Default Management will determine if the change in status is considered an attempt to evade cohort default rate consequences and will send a written response indicating if the eligible school will be subject to sanction and, if so, the scope and duration of the sanction.

If a school that is already subject to sanction combines with another school, the new school has the same challenge, adjustment, and appeal options as the school that was subject to sanction before the change in status. That is, if the school that was subject to sanction before the change in status had exhausted all means of challenge, adjustment, and/or appeal, the new school has no challenge, adjustment, and/or appeal rights. If the school that was subject to sanction before the change in status did not exhaust all means of challenge, adjustment, and/or appeal, the new school may request a challenge, adjustment, and/or appeal, but only under the same time frames and other requirements that were applicable to the sanctioned school.

Department Offices and Addresses

Chapter 2.5

Introduction 2.5-1

Default Management 2.5-2

Case Management 2.5-3

Direct Loan Schools Relations 2.5-4

Other Department Offices 2.5-6

Department Offices and Addresses

Introduction

The U.S. Department of Education (the Department) was established on May 4, 1980 by Congress in the Department of Education Organization Act (Public Law 96-88 of October 1979). The Department's mission is to ensure equal access to education and to promote educational excellence for all Americans.

There are a number of offices within the Department. One of those offices, the Office of Student Financial Assistance Programs (SFA), is responsible for oversight of the Title IV programs the Department administers. SFA's mission is to help put America through school.

Within SFA are three major channels: Schools, Students, and Financial Partners. Each of these channels has responsibility for some aspect of the Title IV programs.

There are several offices within the Schools Channel. Three of these are relevant for schools concerned about Federal Family Education Loan (FFEL) and William D. Ford Federal Direct Loan (Direct Loan) cohort default rates. These offices are Default Management, Case Management, and Direct Loan Schools Relations.

Default Management calculates and releases school FFEL and Direct Loan cohort default rates and works with schools and data managers in the cohort default rate challenge, adjustment, and appeal process. Case Management and Direct Loan Schools Relations provide technical assistance and assist schools with developing default management plans and practicing good default prevention practices. Institutional Improvement Specialists (IIS) work for Case Management in carrying out these duties; Client Account Managers (CAMs) perform similar functions for Direct Loan Schools Relations.

Default Management

The Department's Default Management

- responds to general and specific inquiries about draft and official cohort default rates;
- oversees the calculation of draft and official cohort default rates;
- disseminates cohort default rates in print and on the Internet;
- works with partners in the negotiated rule-making process;
- fulfills requests for various forms of draft and official cohort default rate data;
- provides the draft and official loan record detail report to schools;
- notifies schools with official cohort default rates above the sanction threshold of their loss of eligibility to participate in the FFEL, Direct Loan, and Federal Pell Grant programs;
- publishes the "Cohort Default Rate Guide;"
- provides training through conference appearances to schools and guaranty agencies on cohort default rate information and the cohort default rate challenge, adjustment, and appeal requirements;
- reviews and responds to schools' challenges, adjustments, and appeals and data managers' challenge, adjustment, and appeal responses; and
- assists schools in identifying the implications of their cohort default rate situation and the challenges, adjustments, and appeals that schools are eligible to submit.

Default Management can be contacted at

- Telephone: 1-202-708-6048
- Hotline: 1-202-708-9396
- Email: SFA.schools.default.management@ed.gov
- URL:

http://www.ed.gov/offices/OSFAP/defaultmanagment/cdr.html

When contacting Default Management by overnight mail/courier delivery, the address is

U.S. Department of Education
Default Management
830 First Street, NE
Washington, DC 20002

When contacting by U.S. Postal Service, the address is

U.S. Department of Education
Default Management
400 Maryland Avenue, SW
Washington, DC 20202-5353

Default Management does not provide technical assistance to schools for establishing and developing a default management plan except for schools seeking an exemption under 34 CFR 668.198. Other schools in need of technical assistance for establishing and developing a default management plan should contact their Case Management team or their Direct Loan Schools Relations contact.

Case Management

The Department's Case Management

- reviews and approves school applications for participation,
- reviews school compliance audits and financial statements,
- provides training and technical assistance to schools,
- performs on-site compliance reviews and analyses of reports on schools and their agents,
- assists schools with establishing and developing default management plans,
- assists schools in default management and default prevention practices, and
- handles address changes from schools.

Figure 2.5.1 shows contact information for Case Management. Each case team is made up of team members located in Washington, DC, and the regional office.

Direct Loan Schools Relations

The Department's Direct Loan Schools Relations

- provides training and technical assistance to schools on EDExpress, return of Title IV funds, satisfactory academic progress, and practices;

Figure 2.5.1

Case Management Contacts

Headquarters (HQ) or Regional Office (Region)	States Served	Phone Number	Address
HQ - DC Case Management	Assists all states	1-202-260-3616	Case Management 400 Maryland Avenue S.W. Washington, DC 20202
Boston Case Team	CT, MA, ME, NH, RI, VT	1-617-223-9338	Room 502 JW McCormack Post Office and Courthouse Building Boston, MA 02109-4557
New York Case Team	NJ, NY, PR, VI	1-212-264-4022	Room 1206 75 Park Place New York, NY 10007
Philadelphia Case Team	DC, DE, MD, PA, VA, WV	1-215-656-6442	Suite 511 The Wannamaker Bldg. 100 Penn Square East Philadelphia, PA 19107
Atlanta Case Team	AL, FL, GA, MS, NC, SC	1-404-562-6315	Room 18T20B 61 Forsyth Street, SW Atlanta, GA 30303
Chicago Case Team	IL, MN, OH, WI	1-312-886-8767	Room 830 111 North Canal Street Chicago, IL 60606-7206
Dallas Case Team	AR, LA, NM, OK, TX	1-214-880-3044	Suite 2720 1999 Bryan Street Dallas, TX 75201-6817
Kansas City Case Team	IA, KS, KY, MO, NE, TN	1-816-880-4053	Suite 900 10220 North Executive Hill Blvd. Kansas City, MO 64153
Denver Case Team	CO, MI, MT, ND, SD, UT, WY	1-303-844-3677	Suite 800 1391 North Speer Blvd. Denver, CO 80204-2512
San Francisco Case Team	AZ, CA, HI, NV, Islands	1-415-556-4295	Room 266 50 United Nations Plaza San Francisco, CA 94102-4987
Seattle Case Team	AK, ID, IN, OR, WA	1-206-615-2594	Suite 1600 701 Fifth Avenue Seattle, WA 98104

- assists schools with establishing and developing their default management plans;
- assists schools in default management and default prevention practices; and
- provides conference appearances and outreach to school and lending communities.

Figure 2.5.2 shows contact information for Direct Loan Schools Relations. Each team is made up of team members located in Washington, DC, and the regional office.

Figure 2.5.2

Direct Loan Schools Relations Contacts

Headquarters (HQ) or Regional Office (Region)	States Served	Phone Number	Address
HQ - DC Direct Loan Schools Relations	Assists all states	1-202-260-6008	Direct Loan Schools Relations 400 Maryland Avenue S.W. Washington, DC 20202
Region 1	CT, MA, ME, NH, RI, VT	1-617-565-6911	3rd Floor, Room 341 10 Causeway Street Boston, MA 02222
Region 2	NJ, NY, PR, VI	1-212-264-8012	12th Floor 75 Park Place New York, NY 10007
Region 3	DC, DE, MD, PA, VA, WV	1-215-656-5929	Suite 513 The Wannamaker Building 100 Penn Square East Philadelphia, PA 19107
Region 4	AL, FL, GA, KY, MS, NC, SC, TN	1-404-562-6259	Room 18T20A 61 Forsyth Street, SW Atlanta, GA 30303
Region 5	IL, IN, MI, OH, WI	1-312-886-8766	Room 830 111 North Canal Street Chicago, IL 60606-7206
Region 6	AR, LA, NM, OK, TX	1-214-880-2405	Suite 2735 1999 Bryan Street Dallas, TX 75201-6817
Region 7	IA, KS, MO, NE	1-816-880-4090	Suite 900 10220 North Executive Hill Blvd. Kansas City, MO 64153
Region 8	CO, MN, MT, ND, SD, UT, WY	1-303-844-3677	Suite 800 1391 North Speer Boulevard Denver, CO 80204-2512
Region 9	AZ, CA, HI, NV	1-415-556-4201	Room 121 50 United Nations Plaza San Francisco, CA 94102-4987
Region 10	AK, ID, OR, WA	1-206-615-2231	Suite 1600 701 Fifth Avenue Seattle, WA 98104

Other Department Offices

U.S. Department of Education

- Telephone: 1-800-872-5327
  (Spanish-speaking operators available)
  1-202-401-2000
- TTY: 1-800-437-0833
- Email: usa.learn@ed.gov
- URL: http://www.ed.gov

Student Financial Assistance (SFA) Schools Portal

All of the following websites on this page can be accessed through the Schools Portal website. The portal also displays SFA news headlines and a calendar of events. The user can customize the portal for panels and links.

- Telephone: 1-800-433-7327
- Email: sfa.customer.support@ed.gov
- URL: http://sfa4schools.sfa.ed.gov

SFA Information for Financial Aid Professionals (IFAP)

Regulation Compilations, Federal Registers, Reauthorization information, Dear Partner letters, Training information

- Telephone: 1-800-433-7327
- Email: sfa.customer.support@ed.gov
- URL: http://www.ifap.ed.gov

SFA Customer Service Call Center

Provides general assistance to schools and students

- Telephone: 1-800-433-7327
  (Spanish-speaking operators available)
- TTY: 1-800-730-8913
- Email: sfa.customer.support@ed.gov
- URL: http://www.ifap.ed.gov/customerbranch.html

Default Collections

Responsible for collection of individual defaulted loans assigned to the Department

- Telephone: 1-800-621-3115
  (Spanish-speaking operators available)
- TTY: 1-800-730-8913
- Email: dcshelp@ncs.com
- URL: http://www.ed.gov/OFFICES/OSFAP/DCS

Partner Services Default Coordination Team

Provides general assistance to loan partners, including lender and guaranty agency cohort default rates

- Telephone: 1-202-401-7482
- URL: http://www.ed.gov/OFFICES/OSFAP/IGAL

National Student Loan Data System (NSLDS)

- Telephone: 1-800-999-8219
- Email: nsldscoe@raytheon.com
- URL: https://www.nsldsfap.ed.gov

CPS/WAN Technical Support

- Telephone: 1-800-330-5947
- TTY: 1-800-511-5806
- Email: cpswan@ncs.com
- URL: http://www.ed.gov/OFFICES/OSFAP/sfatech

Postsecondary Education Participants System (PEPS)

- URL: http://www.ed.gov/OFFICES/OSFAP/PEPS

General Information Tools

Chapter 2.6

Instructions for Requesting Cohort Default Rates from the National Student Loan Data System (NSLDS) 2.6-1

General Information About the Electronic Loan Record Detail Report 2.6-1

Instructions for Requesting an Electronic Loan Record Detail Report 2.6-2

Electronic Loan Record Detail Extract File Layout and Detailed Repayment Information Extract File Layout 2.6-4

Alphabetical Data Manager Contacts 2.6-10

Numerical Data Manager Contacts 2.6-11

General Information Tools

Instructions for Requesting Cohort Default Rates from the National Student Loan Data System (NSLDS)

Default Management will send out instructions for requesting cohort default rates from NSLDS at a later time.

General Information About the Electronic Loan Record Detail Report

An electronic loan record detail report is an electronic version of the hardcopy loan record detail report. See Chapter 2.3, "Loan Record Detail Report," for information on reading a loan record detail report. This electronic loan record detail report contains the same information as, and eventually will replace, the hardcopy loan record detail report. Electronic loan record detail reports are available to all schools that receive a draft or official cohort default rate notification letter.

The electronic loan record detail report is available as a preformatted report (report) or as a data file extract (extract). The report is representative of the hardcopy loan record detail report and can be accessed using standard word processing software. The extract allows a school to query the cohort default rate data based on the school's needs.

An electronic loan record detail report provides schools with a more efficient way to review, sort, and analyze their cohort default rate data. Schools are strongly encouraged to use electronic loan record detail reports and may request one at any time. However, if a school did not receive a hardcopy loan record detail report and intends to submit a cohort default rate adjustment and/or appeal, the school must request the loan record detail report within 15 calendar days of receiving its official cohort default rate notification letter.

Any school that requests an electronic loan record detail report and has an average rate for the requested cohort fiscal year will automatically receive data for the prior two cohort fiscal years along with the data for the requested cohort fiscal year. All non-average rate schools will receive data only for the requested cohort fiscal year.

Instructions for Requesting an Electronic Loan Record Detail Report

A school or data manager may request a loan record detail report only for their entity. A school or data manager may not request a loan record detail report for another school or data manager.

A U.S. school can request an electronic loan record detail report using the NSLDS website. Once the request has been made, the loan record detail report is delivered to the Student Aid Internet Gateway (SAIG, which replaces the Title IV Wide Area Network) mailbox associated with the NSLDS User ID that made the request.

There are two types of NSLDS User IDs: an online services User ID and an online services and batch User ID. Because both User IDs have SAIG mailboxes, both can be used to request an electronic loan record detail report. However, if the online services User ID is used, the loan record detail report will be placed in the mailbox associated with that User ID and not in the mailbox associated with the online services and batch User ID. To obtain additional information, contact NSLDS Customer Service at 1-800-999-8219 or CPS/WAN Technical Support at 1-800-330-5947.

Because some foreign schools do not have access to the NSLDS online system, a foreign school that wants an electronic copy of its loan record detail report must request the electronic copy from Default Management.

Exact descriptions for navigating NSLDS in order to request the electronic loan record detail report or extract were not available at the time of publication for this Guide because the loan record detail report screens were still under development. Default Management will create a "General Information Tools: Instructions for Requesting an Electronic Loan Record Detail Report" supplement for this Guide once these lists are in final form. This supplement will be mailed to schools and data managers and will be available at

http://www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html

You may also wish to visit NSLDS online at

https://www.nsldsfap.ed.gov

or

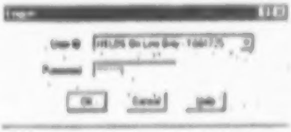
http://sfa4schools.sfa.ed.gov

Contact NSLDS Customer Service at 1-800-999-8219 for password assistance.

The following are steps to access EDconnect after making a request for an electronic loan record detail report.

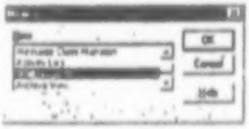
Step 1: Before downloading the electronic loan record detail report from the SAIG mailbox, ensure the ID you used when logging on to the NSLDS website is set up in the EDconnect software. If this has not been done, contact CPS/WAN Technical Support at 1-800-330-5947.

Step 2: Log onto the EDconnect software using the User ID associated with the NSLDS User ID that made the request for the electronic loan record detail report.

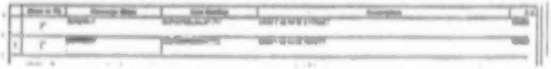


Step 3: Select "Now" from the Transmission menu.

Step 4: Once EDconnect has finished processing the Transmission Now request, select "Mailbox Query" from the New option on the File menu.



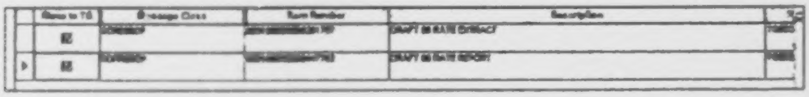
Step 5: EDconnect will provide a list of those files that are available for download. From the list of files available to be downloaded, identify the electronic loan record detail report that was requested.



The electronic loan record detail reports will be listed using SAIG message classes. The message classes for the electronic loan record detail reports consist of eight characters:

- SHCDREOP for extract files
- SHCDRROP for report files

Step 6: Place a check mark in the Move to TQ column, next to the message class associated with the requested electronic loan record detail report.



Step 7: Select "Now" from the Transmission menu. EDconnect will download the file to the designated directory. At this point, a school can rename the file prior to saving it. A school may wish to name a file for the date the file was downloaded.

Step 8: Access the file.

For questions about the SAIG mailbox or downloading files, contact CPS/WAN Technical Support at 1-800-330-5947.

Requests for an average rate will have three cohort fiscal years of data in the message class.

Electronic Loan Record Detail Extract File Layout and Detailed Repayment Information Extract File Layout

The extract file layout contains:

- positions,
- field lengths,
- field formats,
- field names, and
- field descriptions.

The file layout is divided into three sections:

- Header Record Layout. This is the layout for the single header record of the file. This record contains general information about the detail records contained in the file. Figure 2.6.1 displays the Header Record Layout.

Figure 2.6.1

Header Record Layout

Position From	Position To	Field Length	Field Format	Name	Description of Field Content
1	20	20	Character	Filler	Filler
21	21	1	Numeric	Record Type	Indicator used to identify the header record. Value must be "1" (one).
22	29	8	Numeric	Organization ID Number	The eight-digit OPE ID code used to identify the school receiving the loan record detail report.
30	143	114	Character	Filler	Filler
144	203	60	Character	Organization Name	School's name
204	253	50	Character	Address	School's address
254	273	20	Character	City	School's city
274	275	2	Character	State	School's state
276	295	20	Character	Country	School's country
296	304	9	Numeric	Zip Code	School's zip code
305	312	8	Date	Request Date	Identifies the request date of the loan record detail report; format is CCYYMMDD.
313	320	8	Date	Rate Calculation Date	Identifies the date the rate was calculated; format is CCYYMMDD.
321	324	4	Date	Cohort Year	Identifies the cohort fiscal year associated with the report; format is CCYY.
325	331	7	Character	Title IV Program	Identifies the program type of loans included in the loan record detail report.
332	334	3	Character	Filler	Filler
335	335	1	Numeric	Filler	Filler

Figure 2.6.2

Detail Record Layout (part 1 of 2)

- Detail Layout. This is the layout for the detail records in the file. These records contain all of the student and loan-specific information. Figure 2.6.2 displays the Detail Record Layout.

Position From	Position To	Field Length	Field Format	Name	Description of Field Content
1	20	20	Character	Filler	Filler
21	21	1	Character	Record Type	Indicator used to identify the detail record. Value must be "2" (two).
22	29	8	Character	School Code	An eight-digit OPE ID code used to identify the school submitting the loan record detail report request.
30	37	8	Character	Filler	Filler
38	46	9	Character	SSN	Title IV recipient's or beneficiary's Social Security Number.
47	47	1	Character	Usage 1 Code	Identifies how the loan is counted in the school's cohort default rate calculation.
48	65	18	Character	Filler	Filler
66	100	35	Character	Current Last Name	Title IV recipient's or beneficiary's current last name.
101	112	12	Character	Current First Name	Title IV recipient's or beneficiary's current first name.
113	113	1	Character	Student Middle Initial	Title IV recipient's or beneficiary's middle initial.
114	121	8	Numeric	Student Date of Birth	Title IV recipient's or beneficiary's date of birth.
122	129	8	Character	Original School Code	OPE ID code for the school that certified/ originated the loan for the borrower.
130	137	8	Numeric	Begin Class Date	The date classes were scheduled to begin for the loan period covered by the loan.
138	145	8	Numeric	End Class Date	The date classes were scheduled to end for the loan period covered by the loan.
146	146	1	Character	Academic Level	Student's academic or grade level in school at the beginning of the specific period covered by the loan.
147	152	6	Character	Original Lender/ Servicer Code	Code for entity that provided the loan to the student; identifies the originating holder of the loan.
153	156	4	Character	Filler	Filler
157	162	6	Character	Current Lender/ Servicer Code	Current lender code.
163	166	4	Character	Current Lender/ Servicer Branch	Current lender branch.
167	168	2	Character	Loan Type	The type of loan.
169	170	2	Character	Loan Status Code	The status of the borrower's loan.
171	178	8	Numeric	Loan Status Code Date	Effective date of the loan status code.

Figure 2.6.2 (cont.) - Detail Record Layout (part 2 of 2)

Position From	Position To	Field Length	Field Format	Name	Description of Field Content
179	186	8	Numeric	Repay Date	Date loan entered repayment.
187	192	6	Numeric	Amount	Full amount of the loan.
193	195	3	Character	Code for Guarantor/ Servicer	Entity that guaranties the loan on behalf of the Department or entity that the Department contracts with to service Direct Loans.
196	203	8	Numeric	Guaranty Loan Date	Date that the guaranty agency insured a FFEL or the first date of disbursement for a Direct Loan.
204	211	8	Numeric	Default NegAm Date	Date that a default claim was paid on a FFEL or the day of default, for cohort default rate purposes, for Direct Loans or the day certain Direct Loans are considered in default, for cohort default rate purposes, if the loan has been in an income contingent repayment plan with payments of less than $15 per month that resulted in negative amortization for a certain period of time.
212	213	2	Character	Claim Reason Code	Identifies the reason a claim was paid on a FFEL or if a Direct Loan has defaulted or, for some Direct Loan, if the loan entered into an income contingent repayment plan that resulted in negative amortization.
214	234	21	Character	Filler	Filler
235	235	1	Character	Enrollment Code	Student's enrollment status at the time the cohort default rate was calculated.
236	243	8	Numeric	Enrollment Code Date	Effective date of the Enrollment Status Code. If no data is available, the guaranty agency or Direct Loan servicer may use 01/01/1900.
244	244	1	Character	Program Type	Identifies loan program type "F" (FFEL) or "D" (Direct Loan).
245	249	5	Character	Filler	Filler
250	255	6	Numeric	Claim Amount	The claim amount.
256	261	6	Numeric	Outstanding Principal Balance	The original dollar amount of the loan.
262	263	2	Character	Usage 2 Code	Identifies how the borrower is counted in each individual loan program (i.e., the FFEL Program and/or the Direct Loan Program).
264	320	57	Character	Filler	Filler
321	324	4	Character	Cohort Fiscal Year	Identifies the cohort fiscal year; format is CCYY.
325	335	11	Character	Filler	Filler

Figure 2.6.3

Trailer Record Layout (part 1 of 2)

- Trailer Record Layout. This is the layout for the single trailer record of the file. This record contains selected summary calculations for the detail records contained in the file. Figure 2.6.3 is the Trailer Record Layout.

Position From	Position To	Field Length	Field Format	Name	Description of Field Content
1	20	20	Character	Filler	Filler
21	21	1	Character	Record Type	Indicator used to identify the trailer record. Value must be "3" (three).
22	29	8	Character	School Code	An eight-digit OPE code used to identify the school receiving the loan record detail report.
30	31	2	Character	Filler	Filler
32	39	8	Numeric	Actual Numerator Count	The total number of unduplicated borrowers reported in the numerator of the cohort default rate. The report count for the numerator represents the unduplicated borrowers listed with a "B" in the Usage 1 Code field.
40	47	8	Numeric	Actual Denominator Count	The total number of unduplicated borrowers reported in the denominator of the cohort default rate. The report count for the denominator represents the unduplicated borrowers listed with a "D" or "B" in the Usage 1 Code field.
48	55	8	Numeric	Report Count	Identifies the unduplicated number of borrowers included in the numerator of the cohort default rate calculation.
56	63	8	Numeric	Report Count	Identifies the unduplicated number of borrowers included in the denominator of the cohort default rate calculation.
64	71	8	Numeric	IC	Identifies the number of borrowers meeting income contingency repayment conditions on the loan record detail report.
72	79	8	Numeric	Individual Program Tally	The total number of unduplicated borrowers counted in the numerator of the FFEL Program.
80	87	8	Numeric	Individual Program Tally	The total number of unduplicated borrowers counted in the denominator of the FFEL Program.
88	95	8	Numeric	Individual Program Tally	The total number of unduplicated borrowers counted in the numerator of the Direct Loan Program.

Figure 2.6.3 (cont.) - Trailer Record Layout (part 2 of 2)

Position From	Position To	Field Length	Field Format	Name	Description of Field Content
96	103	8	Numeric	Individual Program Tally	The total number of unduplicated borrowers counted in the denominator of the Direct Loan Program.
104	135	32	Numeric	Filler	Filler
136	136	1	Character	Appealed Rate Flag	Identifies if the cohort default rate has been revised due to an adjustment/ appeal.
137	146	10	Numeric	Dual Total Dollars in Default	Total dollars in default. The FFEL Program and Direct Loan Program entries within this field indicate the total dollar volume of defaulted loans included in the cohort default rate calculation.
147	156	10	Numeric	Dual Total Dollars in Repayment	Total dollars in repayment. The FFEL Program and Direct Loan Program entries within this field indicate the total dollar volume for loans that have entered into repayment during the cohort fiscal year in question.
157	166	10	Numeric	FFEL Total Dollars in Default	Dollars in default on FFEL Program.
167	176	10	Numeric	FFEL Total Dollars in Repayment	Dollars in repayment on FFEL Program.
177	186	10	Numeric	Direct Total Dollars in Default	Dollars in default on Direct Loan Program.
187	196	10	Numeric	Direct Total Dollars in Repayment	Dollars in repayment on Direct Loan Program.
197	206	10	Numeric	Total Insurance Claim Payments	Identifies the total dollar amount for insurance claim payments.
207	320	114	Character	Filler	Filler
321	324	4	Date	Trailer Sort Cohort Year	Identifies the cohort fiscal year; format is CCYY.
325	335	11	Character	Filler	Filler

Alphabetical Data Manager Contacts

The contact list that follows contains codes for the data manager for Federal Family Education Loans (FFELs) and William D. Ford Direct Loans (Direct Loans) included on a school's loan record detail report and detailed repayment information. The list is in alphabetical order by state followed by the data manager code.

If the data manager code is known, see the section of this chapter entitled "Numerical Data Manager Contacts."

Figure 2.6.4 lists Data Manager Codes in alphabetical order.

Figure 2.6.4

Alphabetical Data Manager Codes (part 1 of 2)

State and/or Territory	Data Manager Code
Alabama	701
Alaska	702
American Samoa	no number code
Arizona	804
Arkansas	705
California	706
Colorado	708
Connecticut	709
Delaware	710
Direct Loan Servicer	0101
District of Columbia	611
Educational Credit Management Corporation (ECMC)	927 and 951
Federated States of Micronesia, Marshall Islands, Republic of Palau	no number code
Florida	712
Georgia	713
Guam	no number code
Hawaii	815
Idaho	716
Illinois	717
Indiana	718
Iowa	719
Kansas	620
Kentucky	721
Louisiana	722
Maine	723
Maryland	724
Massachusetts	725
Michigan	726
Minnesota	727
Mississippi	728
Missouri	729
Montana	730
Nebraska	731

Figure 2.6.4 (cont.)

Alphabetical Data Manager Codes (part 2 of 2)

State and/or Territory	Data Manager Code
Nevada	732
New Hampshire	733
New Jersey	734
New Mexico	735
New York	736
North Carolina	737
North Dakota	738
Northern Mariana Islands	no number code
Ohio	739
Oklahoma	740
Oregon	741
Pennsylvania	742
Puerto Rico	772
Rhode Island	744
South Carolina	745
South Dakota	746
Tennessee	747
Texas	748
U.S. Department of Education	555, 627, and 631
USA Funds	800
Utah	749
Vermont	750
Virgin Islands	778
Virginia	751
Washington	753
West Virginia	654
Wisconsin	755
Wyoming	656

Numerical Data Manager Contacts

The contact list that follows contains the names, addresses, telephone numbers, email and website addresses (if available), and points of contact for FFELs and Direct Loans included on a school's loan record detail report and detailed repayment information. The list is in numerical order by the data manager code as identified on the loan record detail report or the detailed repayment information, followed by the name of the state/territory/entity primarily associated with the identified code. A data manager should contact Default Management when any changes occur. In addition, if a school discovers that the information listed for a data manager is incorrect, it should contact Default Management.

If the data manager code is not known, see the section of this chapter entitled "Alphabetical Data Manager Contacts."

Figure 2.6.5

Numerical Data Manager Contacts (part 1 of 8)

Figure 2.6.5 lists the data manager contact information in numerical order.

0101 Direct Loan Servicing Center
U.S. Department of Education
Direct Loan Servicer
Attn: Default Rate Appeals Section
501 Bleecker Street
Utica, NY 13501
School Services Representative
1-888-877-7658
http://www.dlservicer.ed.gov/schools

555 U.S. Department of Education
By commercial overnight mail/courier delivery:

U.S. Department of Education
Default Management
830 First Street, NE
Washington, DC 20002

By U.S. Postal Service:

U.S. Department of Education
Default Management
400 Maryland Avenue, SW
Washington, DC 20202-5353

1-202-708-9396
http://www.ed.gov
This is the address for FFEL Program loans currently maintained by the Department. For Direct Loan Program loans, see Code 0101.

611 District of Columbia
American Student Assistance Corporation
Attn: Cohort Section
330 Stuart Street
Boston, MA 02116
Ms. Sue Pottenger
1-800-999-9080 ext. 3209
pottenger@amsa.com
http://www.amsa.com

620 Kansas
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

627 U.S. Department of Education
See the address in Box 555

631 U.S. Department of Education
See the address in Box 555

654 West Virginia
Pennsylvania Higher Education Assistance Agency
Attn: Program Review
HQ4
1200 North 7th Street
Harrisburg, PA 17102-1444
Ms. Lisa Hoffman
1-717-720-2180
lhoffman@pheaa.org
http://www.pheaa.org

656 Wyoming
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

Figure 2.6.5 (cont.) - Numerical Data Manager Contacts (part 2 of 8)

701 Alabama
Kentucky Higher Education Assistance Authority
Attn: Policy and Client Services Branch
1050 U.S. 127 South
Frankfort, KY 40601-4323
Ms. Elaine Brumback
1-502-696-7278
ebrumback@kheaa.com
http://www.kheaa.com

702 Alaska
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

705 Arkansas
Student Loan Guaranty Foundation of Arkansas
Attn: Ms. Brenda Steele
219 South Victory
Little Rock, AR 72201-1884
Ms. Brenda Steele
1-501-688-7648
bsteele@slgfa.org
http://www.slgfa.org

706 California
EDFUND
Attn: Loan Detail Information Office
Cohort Default Rate Appeals and Disputes
3300 Zinfandel Drive
P.O. Box 419045
Rancho Cordova, CA 95741-9045
Ms. Kevis Foley-Bumgardner
1-916-526-8068
kfoley@edfund.org
http://www.edfund.org

708 Colorado
Colorado Student Loan Program
Attn: Compliance, Training & Investigation Dept.
999 18th Street, Suite 425
Denver, CO 80202-2471
Mr. Eric Cronkright
1-303-305-3282
ecronkright@cslp.org
http://www.cslp.org

709 Connecticut
Connecticut Student Loan Foundation
Attn: Manager of Guarantee Operations
P.O. Box 1009
525 Brook Street
Rocky Hill, CT 06067
Ms. Sandy Barsom
1-860-257-4001 ext. 247
sbarsom@mail.cslf.org
http://www.cslf.com

710 Delaware
Pennsylvania Higher Education Assistance Agency
Attn: Program Review
HQ4
1200 North 7th Street
Harrisburg, PA 17102-1444
Ms. Lisa Hoffman
1-717-720-2180
lhoffman@pheaa.org
http://www.pheaa.org

712 Florida
Florida Department of Education
Bureau of Student Financial Assistance
Attn: Ms. Reita Kelley
Northwood Centre
1940 North Monroe Street; Suite 70
Tallahassee, FL 32303-4759
Ms. Reita Kelley
1-850-410-5252
1-800-366-3475
kelleyr@mail.doe.state.fl.us

Figure 2.6.5 (cont.) - Numerical Data Manager Contacts (part 3 of 8)

713 Georgia
Georgia Higher Education Assistance Corporation
Attn: Program Administration
2082 East Exchange Place, Suite 200
Tucker, GA 30084-5305
Ms. Carole Jones
1-770-724-9137
carole@mail.gsfc.state.ga.us
http://www.gsfc.org

716 Idaho
Northwest Education Loan Association
Attn: School Compliance Representative
500 Coleman Building
811 First Avenue
Seattle, WA 98104
Ms. Linda Shannon
1-206-461-5325
lindas@nela.net
http://www.nela.net

717 Illinois
Illinois Student Assistance Commission
Attn: Compliance Analyst
1755 Lake Cook Road
Deerfield, IL 60015
Ms. Terry Dallas
1-847-948-8500 ext. 3306
tdallas@isac.org
http://www.isac-online.org

718 Indiana
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

719 Iowa
Iowa College Student Aid Commission
Attn: Associate Director, Claims and Collections
200 10th Street, 4th Floor
Des Moines, IA 50309-3609
Mr. Brian Mohr
1-515-242-3356
brian.mohr@csac.state.ia.us
http://www.state.ia.us/government/icsac

721 Kentucky
Kentucky Higher Education Assistance Authority
Attn: Policy and Client Services Branch
1050 U.S. 127 South
Frankfort, KY 40601-4323
Ms. Elaine Brumback
1-502-696-7278
ebrumback@kheaa.com
http://www.kheaa.com

722 Louisiana
Louisiana Office of Student Financial Assistance
Attn: Program Review
1885 Wooddale Boulevard
Baton Rouge, LA 70806
Ms. Blair Daggs
1-225-922-0584
1-800-259-5626 ext. 0584
bdaggs@osfa.state.la.us
http://www.osfa.state.la.us

723 Maine
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

Figure 2.6.5 (cont.) - Numerical Data Manager Contacts (part 4 of 8)

724 Maryland
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

725 Massachusetts
American Student Assistance Corporation
Attn: Cohort Section
330 Stuart Street
Boston, MA 02116
Ms. Sue Pottenger
1-800-999-9080 ext. 3209
pottenger@amsa.com
http://www.amsa.com

726 Michigan
Michigan Higher Education Assistance Authority
Attn: Audit and Program Review Section
Hannah Building, First Floor
608 W. Allegan Road
Lansing, MI 48933-1524
Mr. Dan Tryon
1-517-373-4981
tryond@state.mi.us

727 Minnesota
Great Lakes Higher Education Guaranty Corporation
Attn: Ms. Lori Yaun
2401 International Lane
Madison, WI 53704
Ms. Lori Yaun
1-608-246-1622
lyaun@glhec.org
http://www.glhec.org

728 Mississippi
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

729 Missouri
Missouri Student Loan Program
Attn: Senior Associate for Compliance
3515 Amazonas Drive
Jefferson City, MO 65109-5717
Ms. Ruth Chrismore
1-573-751-8748
ruth.chrismore@mocbhe.gov
http://www.cbhe.state.mo.us

730 Montana
Montana Guaranteed Student Loan Program
Attn: Compliance Officer
2500 Broadway
Helena, MT 59601
Mr. Ron Muffick
1-406-444-0369
1-800-537-7508
rmuffick@mgslp.state.mt.us
http://www.mgslp.state.mt.us

731 Nebraska
NSLP
Attn: Program Review and Compliance
1300 O Street
Lincoln, NE 68508
Ms. Dorothy Confer
1-402-479-6959
dorothyc@nslp.org
http://www.nslp.org

Figure 2.6.5 (cont.) - Numerical Data Manager Contacts (part 5 of 8)

732 Nevada
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

733 New Hampshire
New Hampshire Higher Education
Assistance Foundation
Attn: Director of Compliance
4 Barrell Court
Concord, NH 03302
Mr. Lonny Meloon
1-603-227-5309
lmeloon@gsmr.org
http://www.nhheaf.org OR http://www.gsmr.org

734 New Jersey
New Jersey Higher Education
Student Assistance Authority
Attn: Mr. Derek V. Gatling
4 Quakerbridge Plaza Building
P.O. Box 548
Trenton, NJ 08625
Mr. Derek V. Gatling
1-609-588-3996
dgatling@hesaa.org
http://www.hesaa.org

735 New Mexico
New Mexico Student Loan Guarantee Corporation
Attn: Compliance and Program Review Office
3900 Osuna, N.E.
Albuquerque, NM 87109
Ms. Carolyn Holder
1-505-345-8821 ext. 261
holderc@nmslgc.org
http://www.nmslgc.org

736 New York
New York State Higher Education Services Corporation
Attn: Lender Service
99 Washington Avenue
Albany, NY 12255
Mr. Larry LaVallee
1-518-473-1670
llavallee@hesc.com
http://www.hesc.com

737 North Carolina
North Carolina State Education Assistance Authority
Attn: Claim Accounting and Compliance Review
10 Alexander Drive
Research Triangle Park, NC 27709
Ms. Robbin Sutton
1-919-248-4629
RobbinS@ncseaa.edu
http://www.ncseaa.edu

738 North Dakota
Student Loans of North Dakota
Attn: Compliance Officer
715 East Broadway
Bismarck, ND 58501
Ms. Char Feist
1-701-328-5753
cfeist@state.nd.us
http://www.bankd.com/slnd

739 Ohio
For NON-DEFAULTED LOANS
Great Lakes Higher Education Guaranty Corporation
Attn: Ms. Lori Yaun
2401 International Lane
Madison, WI 53704
Ms. Lori Yaun
1-608-246-1622
lyaun@glhec.org
http://www.glhec.org

For DEFAULTED LOANS
See the address in box 555

Figure 2.6.5 (cont.) - Numerical Data Manager Contacts (part 6 of 8)

740 Oklahoma
Oklahoma State Regents for Higher Education
Guaranteed Student Loan Program
Attn: Ms. Mary Heid
421 Northwest 13th Street
Oklahoma City, OK 73104
Ms. Mary Heid
1-405-234-4489
mheid@ogslp.org
http://www.ogslp.org

741 Oregon
Oregon Student Assistance Commission
Attn: Program Review
1500 Valley River Drive Suite 100
Eugene, OR 97401
Ms. Barbara Briggs
1-541-687-7376
barbara.l.briggs@state.or.us
http://www.osac.state.or.us

742 Pennsylvania
Pennsylvania Higher Education Assistance Agency
Attn: Program Review
HQ4
1200 North 7th Street
Harrisburg, PA 17102-1444
Ms. Lisa Hoffman
1-717-720-2180
lhoffman@pheaa.org
http://www.pheaa.org

744 Rhode Island
Rhode Island Higher Education Assistance Authority
Attn: Cohort Appeals
560 Jefferson Boulevard
Warwick, RI 02886-1320
Mr. Charles Totoro
1-401-736-1141
ctotoro@riheaa.org
http://www.riheaa.org

745 South Carolina
South Carolina State Education Assistance Authority
Attn: Mr. Mike Fox
Interstate Center, Suite 212
16 Berryhill Road
Columbia, SC 29212
Mr. Mike Fox
Ms. Sherry Highbaugh
1-803-798-7960
mike_fox@slc.sc.edu
seaass@slc.sc.edu
http://www.slc.sc.edu

746 South Dakota
Education Assistance Corporation
Attn: Vice President of Preclaim, Claim,
and Collection
115 First Avenue, S.W.
Aberdeen, SD 57401
Ms. Ellen Welke
1-605-622-4340
ewelke@eac-easci.org
http://www.eac-easci.org

747 Tennessee
Tennessee Student Assistance Corporation
Attn: School Relations Specialist
Suite 1950
404 James Robertson Parkway
Nashville, TN 37243-0820
Ms. Stephanie Aylor
1-615-741-1346
saylor@mail.state.tn.us
http://www.state.tn.us/tsac

748 Texas
Texas Guaranteed Student Loan Corporation
Attn: Compliance Analyst
2929 Longhorn Boulevard, Suite 106
Austin, TX 78758
Mr. Ken Johnson
1-512-219-4701
ken.johnson@tgslc.org
http://www.tgslc.org/tgslc

Figure 2.6.5 (cont.) - Numerical Data Manager Contacts (part 7 of 8)

749 Utah
Utah Higher Education Assistance Authority
Attn: Manager of Compliance and Program Review
Three Triad Center, Suite 550
355 West North Temple
Salt Lake City, UT 84180-1205
Mr. Jed Spencer
1-801-321-7220
jspencer@utahsbr.edu
http://www.uheaa.org

750 Vermont
Vermont Student Assistance Corporation
Attn: Manager of School Policy and Compliance
The Champlain Mill
1 Main Street
Winooski, VT 05404
Ms. Marcia Vance
1-802-654-3770 ext. 273
1-800-660-3561 ext. 273
vance@vsac.org
http://www.vsac.org

751 Virginia
ECMC Guarantee Servicing
Attn: Compliance Specialist
7325 Beaufont Springs Drive, Suite 200
Richmond, VA 23225-5546
Ms. Linda Woodley
1-888-775-3262 ext. 8024
lwoodley@ecmc.org
http://www.ecmc.org

753 Washington
Northwest Education Loan Association
Attn: School Compliance Representative
500 Coleman Building
811 First Avenue
Seattle, WA 98104
Ms. Linda Shannon
1-206-461-5325
lindas@nela.net
http://www.nela.net

755 Wisconsin
Great Lakes Higher Education Guaranty Corporation
Attn: Ms. Lori Yaun
2401 International Lane
Madison, WI 53704
Ms. Lori Yaun
1-608-246-1622
lyaun@glhec.org
http://www.glhec.org

772 Puerto Rico
Great Lakes Higher Education Guaranty Corporation
Attn: Ms. Lori Yaun
2401 International Lane
Madison, WI 53704
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http://www.glhec.org

778 Virgin Islands
Great Lakes Higher Education Guaranty Corporation
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2401 International Lane
Madison, WI 53704
Ms. Lori Yaun
1-608-246-1622
lyaun@glhec.org
http://www.glhec.org

800 USA Funds
USA Funds
Attn: Mr. Bruce Bement
Suite 230
Crosspoint Plaza One
10475 Crosspoint Blvd.
Indianapolis, IN 46256-3323
Mr. Bruce Bement
1-317-806-1256
bbement@usafunds.org
http://www.usafunds.org

Figure 2.6.5 (cont.) - Numerical Data Manager Contacts (part 8 of 8)

804 Arizona USA Funds Attn: Mr. Bruce Bement Suite 230 Crosspoint Plaza One 10475 Crosspoint Blvd. Indianapolis, IN 46256-3323 Mr. Bruce Bement 1-317-806-1256 bbement@usafunds.org http://www.usafunds.org	815 Hawaii USA Funds Attn: Mr. Bruce Bement Suite 230 Crosspoint Plaza One 10475 Crosspoint Blvd. Indianapolis, IN 46256-3323 Mr. Bruce Bement 1-317-806-1256 bbement@usafunds.org http://www.usafunds.org
927 Educational Credit Management Corporation (ECMC) ECMC Guarantee Servicing Attn: Compliance Specialist 7325 Beaufont Springs Drive, Suite 200 Richmond, VA 23225-5546 Ms. Linda Woodley 1-888-775-3262 ext. 8024 lwoodley@ecmc.org http://www.ecmc.org	951 Educational Credit Management Corporation (ECMC) ECMC Guarantee Servicing Attn: Compliance Specialist 7325 Beaufont Springs Drive, Suite 200 Richmond, VA 23225-5546 Ms. Linda Woodley 1-888-775-3262 ext. 8024 lwoodley@ecmc.org http://www.ecmc.org
American Samoa (no number code) USA Funds Attn: Mr. Bruce Bement Suite 230 Crosspoint Plaza One 10475 Crosspoint Blvd. Indianapolis, IN 46256-3323 Mr. Bruce Bement 1-317-806-1256 bbement@usafunds.org http://www.usafunds.org	Federated States of Micronesia, Marshall Islands, and Republic of Palau (no number code) USA Funds Attn: Mr. Bruce Bement Suite 230 Crosspoint Plaza One 10475 Crosspoint Blvd. Indianapolis, IN 46256-3323 Mr. Bruce Bement 1-317-806-1256 bbement@usafunds.org http://www.usafunds.org
Guam (no number code) USA Funds Attn: Mr. Bruce Bement Suite 230 Crosspoint Plaza One 10475 Crosspoint Blvd. Indianapolis, IN 46256-3323 Mr. Bruce Bement 1-317-806-1256 bbement@usafunds.org http://www.usafunds.org	Northern Mariana Islands (no number code) USA Funds Attn: Mr. Bruce Bement Suite 230 Crosspoint Plaza One 10475 Crosspoint Blvd. Indianapolis, IN 46256-3323 Mr. Bruce Bement 1-317-806-1256 bbement@usafunds.org http://www.usafunds.org

Part
III

Strategy

Chapter 3.1 **School Strategies**

Chapter 3.2 **Data Manager Strategies**

Chapter 3.3 **Strategy Tools**

School Strategies

Chapter 3.1

Why should a school review this chapter? 3.1-1

What strategies can a school employ in relation to the release of the draft and official cohort default rates? 3.1-2

What is repayment information? 3.1-4

What are the benefits of reviewing repayment information? 3.1-4

What types of repayment information are available? 3.1-5

What actions can a school take to help process the draft and official cohort default rates? 3.1-6

How does a school prepare for the release of the cohort default rates? 3.1-6

When are cohort default rates sent to schools? 3.1-7

How does a school review its cohort default rate data? 3.1-8

How does a school determine if it should submit a challenge, adjustment, or appeal? 3.1-9

Why should a school that is not subject to sanction contest inaccurate data on the loan record detail report? 3.1-12

How does a school determine if there is inaccurate data on the loan record detail report? 3.1-13

How does a school contest inaccurate data on the loan record detail report? 3.1-14

How does a school contend that it has exceptional mitigating circumstances that should prevent the school from being subject to sanction due to its cohort default rate? 3.1-15

What are the time frames for submitting a challenge, adjustment, or appeal? 3.1-17

How does a school or data manager use the time frames chart? 3.1-17

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School Strategies

Why should a school review this chapter?

Schools should review this Guide for information regarding cohort default rates. This chapter contains basic strategies to prepare a school for the release of the cohort default rates as well as strategies to help a school determine if it needs to submit a challenge, adjustment, or appeal and, if so, which challenges, adjustments, or appeals the school is eligible to submit.

The U.S. Department of Education's (the Department's) Default Management will send out supplements for the Guide with the draft and official cohort default rates. Schools should review the supplements to determine what information has changed. Schools should then incorporate the supplements into the appropriate sections of the Guide.

Default Management suggests that schools read the Department's publication "Ensuring Student Loan Repayment," a handbook of best student loan practices based on the Department's October 2000 student loan symposium. This publication is available at the Student Financial Aid (SFA) Schools Portal at

http://sfa4schools.sfa.ed.gov

and at the Information for Financial Aid Professionals (IFAP) website at

http://ifap.ed.gov

click on "electronic announcements," then select "2001," and scroll to the hyperlink "01/19/01.".

What strategies can a school employ in relation to the release of the draft and official cohort default rates?

It is important that a school determine who will have responsibility for reviewing cohort default rate related matters

It is important that a school determine who will have responsibility for reviewing cohort default rate related matters. Default Management will send cohort default rate correspondence to the school president's office. If the president's office will not be responsible for reviewing the correspondence, it is important that the president's office know who at the school is responsible for reviewing the correspondence and immediately forward correspondence to that office.

It is equally important that there be a free flow of enrollment status information between the school office in charge of that information and the school office reviewing cohort default rate matters. The school should ensure that contacts are in place between those offices.

The school may wish to establish data manager, Default Management, and Case Management contacts within the school organization and provide updates to data managers, Default Management, and Case Management when those contacts change. A school should work with its Case Management team or Client Account Manager (CAM) to discuss default prevention strategies or default management plans. For more information on contacting the Department, see Chapter 2.5, "Department Offices and Addresses."

The Department recommends that schools send all cohort default rate correspondence and enrollment information correspondence to all entities via certified mail or commercial delivery and maintain the documentation that shows the correspondence was timely sent. A school should keep copies of all relevant electronic and hardcopy correspondence between the school and data managers, lenders, servicers, and the Department.

A school should contact all relevant data managers to determine what reports are available from the data manager to track student status on a regular basis. If the school gets information from the data managers, and the information is incorrect, the school should contact the data managers to discuss how to update the information.

On at least a monthly basis, the school should review the repayment information available through the National Student Loan Data System (NSLDS) and compare this data with the school's data. The school must timely submit, in accordance with Department regulations, changes in a student's enrollment status to NSLDS and follow up with a screen print to NSLDS to show timely submission.

The school should check the NSLDS error report to verify that changes were accepted. If the changes were not accepted, the school should resubmit the information. Contact NSLDS Customer Service at 1-800-999-8219 for submission assistance. The school should maintain documentation of the information submitted to NSLDS.

A Historically Black College or University, Tribally Controlled Community College, or Navajo Community College that believes it will be subject to sanction after release of the official cohort default rates may wish to consider establishing a default management plan. See Chapter 2.2, "Cohort Default Rate Effects," for additional information.

A school may wish to develop a checklist, specific to the school's needs, of the activities the school needs to do before, during, and after the release of the draft and official cohort default rates.

What is repayment information?

Repayment information is a default management tool provided to schools by the Department through NSLDS. NSLDS provides, on a monthly basis, school-specific repayment information regarding students who

- have obtained Federal Family Education Loans (FFELs) and William D. Ford Federal Direct Loans (Direct Loans) to attend the school and
- have entered into repayment on those loans in the first 12 months of the most recent 24-month period.

All schools that participate in any of the Title IV programs and have students who meet the above criteria may access the repayment information.

Repayment information is provided solely as a service to help schools track loans and correct errors associated with loans that recently entered into repayment. The information does not represent a school's cohort default rate. The Department will continue to calculate cohort default rates at the prescribed intervals and will base the cohort default rate calculation on data that is in NSLDS at the time of the calculation.

Repayment information helps schools ensure the data reported to NSLDS is accurate

What are the benefits of reviewing repayment information?

Repayment information can assist schools in a number of ways:

- Repayment information allows schools to monitor when borrowers enter repayment. Schools that monitor borrowers' repayment status can use the information to make sure that the borrowers who have just entered repayment are aware of all of the repayment options available to them. This information can help a borrower avoid default.
- Repayment information helps schools ensure the data reported to NSLDS is accurate. Schools that monitor borrowers' repayment and default status can contact data managers as errors occur instead of waiting until the release of the cohort default rates to correct inaccuracies.

The repayment information does not provide information regarding a borrower's delinquency status. For more information about a borrower's possible delinquency status, a school should contact the data manager or loan holder for information about the borrower's loan status.

What types of repayment information are available?

Repayment information is available in a summary format or in a detailed file format.

The summary format provides a school with

- the number of borrowers who entered into repayment in the first 12 months of the most recent 24-month period and
- the number of those borrowers who entered into repayment in the first 12 months of the most recent 24-month period and defaulted or met other specified conditions during that 24-month period.

See the "Repayment Information Tools" section of Chapter 3.3, "Strategy Tools," for information on obtaining summary repayment information.

The detailed file format provides a school with

- an individual listing of all the selected borrowers tallied in the summary format and
- information about each of the relevant loans for each borrower included on the report.

A school can only request a detailed file format for the most recent 24-month period. Therefore, it is important that a school monitor its repayment information on a monthly basis and, if desired, download the most recent detailed file format on a monthly basis.

See the "Repayment Information Tools" section of Chapter 3.3, "Strategy Tools," for information on obtaining detailed repayment information.

What actions can a school take to help process the draft and official cohort default rates?

A school can begin cohort default rate preparations prior to the release of the draft or official cohort default rates. After the release of the draft or official cohort default rates, a school should review its cohort default rate data. The school should then determine if it wishes to submit a challenge, adjustment, or appeal based upon that data.

How does a school prepare for the release of the cohort default rates?

There are a number of things a school can do to prepare for the release of the cohort default rates.

- Be aware of the school's current cohort default rate status. The challenges, adjustments, or appeals a school can and should submit will be determined by whether or not the school is currently under sanction, and by which challenges, adjustments, and appeals the school has submitted in the past.
- Identify its two most recent prior official cohort default rates. Since some sanctions or benefits may be based on a school's three most recent official cohort default rates, schools will need to be aware of the prior cohort default rates to understand the consequences of their current cohort default rates. Schools can find this information on prior official cohort default rate notification letters. If the school's cohort default rate was changed as the result of an adjustment or appeal, it can find this information in the determination letter the school received from Default Management.
- Begin preparing challenge, adjustment, and appeal materials. There are a number of spreadsheets and letters used in each challenge, adjustment, and appeal. See the individual challenge, adjustment, and appeal chapters in Part IV for information on these spreadsheets and letters and how a school uses them. If a school has not previously created electronic copies of the various spreadsheets and letters it should do so at this time. The instructions for creating the spreadsheets are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools." If a school has already created electronic copies of the various spreadsheets and letters, it should locate those electronic copies and verify that they are ready for use.

Further, a school can begin calculating its participation rate index for a participation index rate challenge prior to the release of the draft cohort default rates. See Chapter 4.2, "Participation Rate Index Challenge," for more information. Similarly, a school can begin calculating its low income rate and placement rate or low income rate and completion rate for an economically disadvantaged appeal or its participation rate index for a participation rate index appeal prior to the release of the official cohort default rates. See Chapter 4.7, "Economically Disadvantaged Appeal," and Chapter 4.8, "Participation Rate Index Appeal," for more information.

Finally, a school can create a spreadsheet of its students who obtain FFELs and Direct Loans. See the section of this chapter entitled "How does a school determine if there is inaccurate data on the loan record detail report?" for more information.

The release dates for the draft and official cohort default rates will be posted at the SFA Schools Portal

When are cohort default rates sent to schools?

The Department sends cohort default rates to schools twice each year. Generally, the Department sends draft cohort default rates to schools in January or February. After schools receive their draft cohort default rate data, schools are provided an opportunity to identify and correct any inaccuracies by submitting an incorrect data challenge. The Department then releases the official cohort default rates. Official cohort default rates are generally released to schools, and are made available to the public, approximately six months after the release of the draft cohort default rates. However, the official cohort default rates must be released no later than September 30th.

The Department sends cohort default rate correspondence to the school president. School financial aid officials should coordinate with the president's office to ensure that the correspondence is timely routed to the office that will be reviewing the cohort default rate information. The cohort default rate process time frames begin when the cohort default rate correspondence is received at the president's office. The release dates for the draft and official cohort default rates will be posted at the SFA Schools Portal at

http://sfa4schools.sfa.ed.gov

and at the IFAP website

http://www.ifap.ed.gov

After the release dates are posted, the office at the school responsible for reviewing the cohort default rates may wish to inform the president's office of the pending release of the cohort default rates and of the need to immediately route the cohort default rate correspondence to the office reviewing the cohort default rates.

How does a school review its cohort default rate data?

The school will receive a letter each year when the Department sends the draft cohort default rates to the schools. Most schools will also receive a loan record detail report for the draft cohort default rates listing all the borrowers contained in the draft cohort default rate calculation. The school should compare the information in the loan record detail report for the draft cohort default rates to the school's own records to ensure the accuracy of the data in the loan record detail report for the draft cohort default rates.

The school will receive a notification letter when the Department releases the official cohort default rates. The letter will inform the school of its official cohort default rate and inform the school of any sanctions or benefits associated with the school's official cohort default rate. (See Chapter 2.2, "Cohort Default Rate Effects," for additional information about cohort default rate sanctions and cohort default rate benefits.) This information will enable the school to determine the consequences of its current cohort default rate.

If the school's official cohort default rate is 10.0 percent or greater, the school will receive a loan record detail report for the current official cohort default rates listing all the borrowers included in the official calculation. (A school can also request a copy of the loan record detail report. See Chapter 2.3, "Loan Record Detail Report," for information on requesting a copy.)

The school should compare the loan record detail report for the official cohort default rates to both the school's own records and to the loan record detail report for the draft cohort default rates. If the school submitted an incorrect data challenge, the school should review the data managers' incorrect data challenge responses and correction letters from Default Management (if any) and compare these to the loan record detail report for the official cohort default rates.

The draft cohort default rate listed on the loan record detail report for the draft cohort default rates will not be accurate for average rate schools or schools that have undergone a change in status. An average rate school should calculate its draft cohort default rate using the current cohort default rate data and averaging that data with the school's two most recent official cohort default rate data. A school that has undergone a change in status should see Chapter 2.4, "Change in Status and Evasion," for information on calculating its cohort default rate.

The official cohort default rate listed on the loan record detail report for the official cohort default rates will also not be accurate for average rate schools or schools that have undergone a change in status. An average rate school or a school that has undergone a change in status can find its official cohort default rate on the official cohort default rate notification letter.

Because loan record detail reports contain personal identification information about borrowers who received loans under the FFEL and Direct Loan programs, the Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all cohort default rate loan data, including the loan record detail reports. State and local laws and regulations may also govern the use of this material. Recipients must take appropriate steps to ensure that this material is used and discarded properly.

How does a school determine if it should submit a challenge, adjustment, or appeal?

There are a number of challenges, adjustments, and appeals a school can pursue after the release of the draft and official cohort default rates. Schools may submit challenges after the release of the draft cohort default rates; schools may submit adjustments and appeals after the release of the official cohort default rates.

The challenges, adjustments, and appeals fall into two main categories:

- Challenges, adjustments, and appeals that contend that the loan record detail report contains inaccurate data and that as a result, the school's cohort default rate is inaccurate. If a school submits one of these challenges, adjustments, or appeals, and the challenge, adjustment, or appeal is successful, the school's cohort default rate may be lowered, raised, or not affected. If the school's cohort default rate is lowered, the school may avoid a sanction or become eligible for a benefit.
- Challenges and appeals that contend that the school has exceptional mitigating circumstances that should remove the school from being subject to cohort default rate sanction. If a school submits one of these challenges or appeals, and the challenge or appeal is successful, the school may avoid sanctions. However, the school's cohort default rate will not be affected.

Figure 3.1.1

Schools Eligible to Submit a Challenge, Adjustment, or Appeal (part 1 of 2)

The type of challenge, adjustment, or appeal a school should submit depends on the school's situation. Figure 3.1.1 details which schools are eligible to submit the different challenges, adjustments, and appeals. See the relevant chapter in Part IV for a list of the materials a school must submit with each challenge, adjustment, or appeal.

Submission Type	Basis	Which Schools Can Take Action?	For More Information
Incorrect Data Challenge	Inaccurate Data	Any school that believes there is inaccurate data in the loan record detail report for the draft cohort default rates.	See Chapter 4.1, "Incorrect Data Challenge," and 34 CFR 668.185(b)
Participation Rate Index Challenge	Exceptional Mitigating Circumstances	Any school that ❖ believes it will be subject to sanction after the release of the official cohort default rates and ❖ has a participation rate index of less than 0.0375 for a sanction based on three consecutive cohort default rates that are 25.0 percent or greater or less than 0.06015 for a sanction based on a cohort default rate that is greater than 40.0 percent.	See Chapter 4.2, "Participation Rate Index Challenge," and 34 CFR 668.185(c)
Uncorrected Data Adjustment	Inaccurate Data	Any school that timely submitted an incorrect data challenge if ❖ the data manager reviewing the incorrect data challenge agreed to make changes to the cohort default rate data and ❖ the agreed upon changes are not reflected in the school's loan record detail report for the official cohort default rates.	See Chapter 4.3, "Uncorrected Data Adjustment," and 34 CFR 668.190
New Data Adjustment	Inaccurate Data	Any school that believes there is new, incorrect data in the loan record detail report for the official cohort default rates.	See Chapter 4.4, "New Data Adjustment," and 34 CFR 668.191
Erroneous Data Appeal	Inaccurate Data	Any school that is subject to sanction if ❖ the school believes there is new, incorrect data in the loan record detail report for the official cohort default rates-or ❖ the school still disputes the accuracy of cohort default rate data it challenged in an incorrect data challenge.	See Chapter 4.5, "Erroneous Data Appeal," and 34 CFR 668.192

Figure 3.1.1 (cont.) - Schools Eligible to Submit a Challenge, Adjustment, or Appeal (part 2 of 2)

Submission Type	Basis	Which Schools Can Take Action?	For More Information
Loan Servicing Appeal	Inaccurate Data	Any school that believes its loan record detail report for the official cohort default rates contains defaulted FFELs or Direct Loans that were improperly serviced for cohort default rate purposes.	See Chapter 4.6, "Loan Servicing Appeal," and 34 CFR 668.193
Economically Disadvantaged Appeal	Exceptional Mitigating Circumstances	Any school that is subject to sanction if ✣ in the case of a non-degree-granting school, the school's low income rate is two-thirds or more and the school's placement rate is 44.0 percent or more or, ✣ in the case of a degree-granting school, the school's low income rate is two-thirds or more and the school's completion rate is 70.0 percent or more.	See Chapter 4.7, "Economically Disadvantaged Appeal," and 34 CFR 668.194
Participation Rate Index Appeal	Exceptional Mitigating Circumstances	Any school that ✣ is subject to sanction and ✣ has a participation rate index of less than 0.0375 for a sanction based on three consecutive cohort default rates that are 25.0 percent or greater or less than 0.06015 for a sanction based on a cohort default rate that is greater than 40.0 percent.	See Chapter 4.8, "Participation Rate Index Appeal," and 34 CFR 668.195
Average Rates Appeal	Exceptional Mitigating Circumstances	Any school that is ✣ subject to sanction based on three consecutive official cohort default rates that are 25.0 percent or greater if at least two of those cohort default rates were average rates and would have been less than 25.0 percent if they were calculated using only data for those cohort fiscal years alone or ✣ subject to sanction because of an official cohort default rate that is greater than 40.0 percent if the official cohort default rate was calculated as an average rate.	See Chapter 4.9, "Average Rates Appeal," and 34 CFR 668.196
Thirty-or-Fewer Borrowers Appeal	Exceptional Mitigating Circumstances	Any school that is subject to sanction and has a total of 30 or fewer borrowers included in the denominator of the three most recent cohort fiscal years used to calculate the official cohort default rates.	See Chapter 4.10, "Thirty-or-Fewer Borrowers Appeal," and 34 CFR 668.197

A school should be aware that it must timely submit a challenge, adjustment, or appeal. There are different time frames for submitting the various challenges, adjustments, and appeals. See the section of this chapter titled "What are the time frames for submitting a challenge, adjustment, or appeal?" for an overview of these time frames. A school should review these time frames to determine which challenge, adjustment, or appeal requires the most immediate attention.

In some cases, a school must request information from a data manager before the school makes a final submission to Default Management. When a school receives a data manager's response, the school must decide if it will make a final submission. The final submission must also be made within a prescribed time frame. Again, see the section of this chapter titled "What are the time frames for submitting a challenge, adjustment, or appeal?" for an overview of these time frames.

Contesting inaccurate data helps maintain data integrity and accuracy

Why should a school that is not subject to sanction contest inaccurate data on the loan record detail report?

There are a number of reasons why a school that is not subject to sanction should contest inaccurate data on the loan record detail report:

- Contesting inaccurate data helps maintain data integrity and accuracy.
- Contesting inaccurate data may lead to a reduction in the school's cohort default rate that would make the school eligible for the benefits available to schools with low cohort default rates. See Chapter 2.2, "Cohort Default Rate Effects," for information on the benefits available for schools with low cohort default rates.
- Contesting the accuracy of the data may help prevent a school from becoming provisionally certified based solely on the school's official cohort default rate. See Chapter 4.5, "Erroneous Data Appeal," for more information on provisional certification.

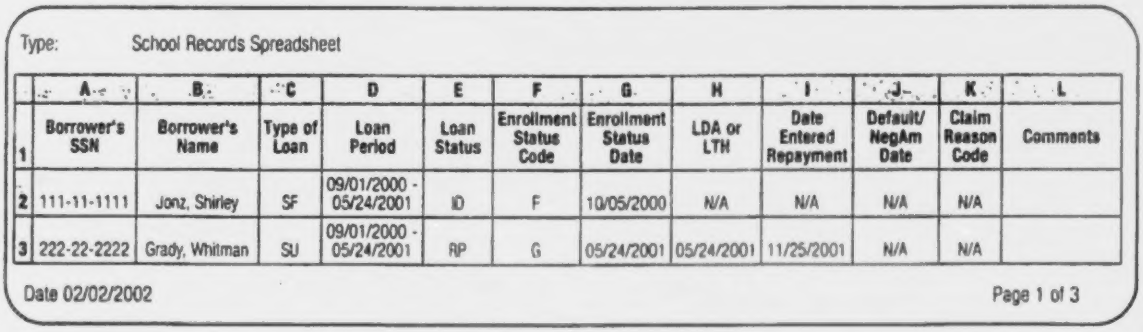
How does a school determine if there is inaccurate data on the loan record detail report?

A school should review the loan record detail report by comparing the school's records to the information on the loan record detail report. A school can simplify this process by creating a spreadsheet or database using information from the school's records. This Guide only discusses spreadsheets; a school should consult its technical staff to discuss database creation. It is important to note that a school does not need to wait until the release of the cohort default rates to create the school's spreadsheet.

Figure 3.1.2 is a sample school records spreadsheet. The instructions for creating and completing the school records spreadsheet are in the "School Tools" section of Chapter 3.3, "Strategy Tools."

Figure 3.1.2

Sample School Records Spreadsheet



Type: School Records Spreadsheet

	A	B	C	D	E	F	G	H	I	J	K	L
1	Borrower's SSN	Borrower's Name	Type of Loan	Loan Period	Loan Status	Enrollment Status Code	Enrollment Status Date	LDA or LTH	Date Entered Repayment	Default/ NegAm Date	Claim Reason Code	Comments
2	111-11-1111	Jonz, Shirley	SF	09/01/2000 - 05/24/2001	ID	F	10/05/2000	N/A	N/A	N/A	N/A	
3	222-22-2222	Grady, Whitman	SU	09/01/2000 - 05/24/2001	RP	G	05/24/2001	05/24/2001	11/25/2001	N/A	N/A	

Date 02/02/2002

Page 1 of 3

Once the school has completed the spreadsheet, it should compare the spreadsheet to the loan record detail report, to the repayment information from NSLDS, or to information on data manager, lender, or loan servicer reports. The school should ask the following questions:

- Is each data element on the school's spreadsheet the same as the corresponding element on the loan record detail report (incorrectly reported)?
- Are there loans on the loan record detail report that are not on the school's spreadsheet (incorrectly included)?
- Are there loans on the school's spreadsheet that are not on the loan record detail report (incorrectly excluded)?

If there are differences between the school's data and the data on the sources mentioned, the school should examine its records and the other sources (for example, the NSLDS borrower enrollment history) to determine the possible causes for each difference. If the school believes there is inaccurate data on the loan record detail report, it should contest the data.

Figure 3.1.3

Challenges, Adjustments, and Appeals that Can Affect a School's Cohort Default Rate

How does a school contest inaccurate data on the loan record detail report?

Figure 3.1.3 outlines the five challenges, adjustments, and appeals that enable a school to contest inaccurate data on a loan record detail report.

Submission Type	Why Submit?	Which Schools Can Take Action?	Effect
Incorrect Data Challenge	A school believes that the loan record detail report for the draft cohort default rates contains incorrect data.	All schools (if a school does not challenge the accuracy of data in an incorrect data challenge, the school cannot contest the accuracy of that data later in an uncorrected data adjustment or an erroneous data appeal based on disputed data).	If successful, NSLDS will be corrected and the corrected data will be used when calculating the school's official cohort default rate.
Uncorrected Data Adjustment	A school believes that the loan record detail report for the official cohort default rates contains data that should have been corrected as a result of its incorrect data challenge.	All schools that submitted a successful incorrect data challenge, if the official cohort default rate data does not reflect the changes agreed to as part of the incorrect data challenge process.	If successful, NSLDS will be corrected and Default Management will recalculate the school's cohort default rate.
New Data Adjustment	A school believes that the loan record detail report for the official cohort default rates contains new, incorrect data.	All schools, although those schools that are subject to sanction should submit an erroneous data appeal instead.	If successful, NSLDS will be corrected and Default Management will recalculate the school's cohort default rate.
Erroneous Data Appeal	A school believes that the loan record detail report for the official cohort default rates contains new, incorrect data and/or contains disputed data that was included in an incorrect data challenge.	Schools that are subject to sanction and schools that are subject to provisional certification due solely to cohort default rates (if a school does not challenge the accuracy of data in an incorrect data challenge, the school cannot contest the accuracy of that data in an erroneous data appeal).	If successful, NSLDS will be corrected and Default Management will recalculate the school's cohort default rate.
Loan Servicing Appeal	A school believes that the loan record detail report for the official cohort default rates contains defaulted loans that were improperly serviced for cohort default rate purposes.	All schools that have defaulted loans included in the loan record detail report for the official cohort default rates.	If successful, Default Management will recalculate the school's cohort default rate.

How does a school contend that it has exceptional mitigating circumstances that should prevent the school from being subject to sanction due to its cohort default rate?

Figure 3.1.4 outlines the challenges and appeals a school may submit when it believes it has exceptional mitigating circumstances that should prevent the school from being subject to cohort default rate sanction.

Figure 3.1.4

Challenges and Appeals that Show a School Has Exceptional Mitigating Circumstances

Submission Type	Why Submit?	Which Schools Can Take Action?	Effect
Participation Rate Index Challenge	A school believes that it may be subject to sanction with the release of the official cohort default rates but also believes that it should not be subject to sanction because of its low participation rate index.	All schools, but only those that will be subject to sanction when the official cohort default rates are released will benefit.	If successful, the school will not be subject to the anticipated sanction. If the school successfully challenges based on a prior official cohort default rate, that cohort default rate will not be the basis for a future sanction.
Economically Disadvantaged Appeal	A school believes that it should not be subject to sanction because of the number of low income students attending the school and the school's placement rate (for a non-degree-granting school) or the school's completion rate (for a degree-granting school).	Schools that are subject to sanction.	If successful, the school will not be subject to sanction for that cohort fiscal year.
Participation Rate Index Appeal	A school believes that it should not be subject to sanction because of its low participation rate index.	Schools that are subject to sanction.	If successful, the school will not be subject to the sanction for that cohort fiscal year. If the school's participation rate index for a cohort fiscal year is 0.0375 or less, the cohort default rate for that cohort fiscal year will not be the basis for a future sanction.
Average Rates Appeal	A school will not be subject to sanction based on three consecutive cohort default rates of 25.0 percent or greater if at least two of these cohort default rates were calculated as average rates and would have been less than 25.0 percent if they were calculated using only data for those cohort fiscal years alone. A school will not be subject to sanction based on a cohort default rate that is greater than 40.0 percent if that cohort default rate is an average rate.	Schools that are subject to sanction.	If successful, the school will not be subject to sanction for that cohort fiscal year.
Thirty-or-Fewer Borrowers Appeal	A school will not be subject to sanction if a total of 30 or fewer borrowers entered repayment in the three most recent cohort fiscal years is used to calculate its cohort default rate.	Schools that are subject to sanction.	If successful, the school will not be subject to sanction for that cohort fiscal year.

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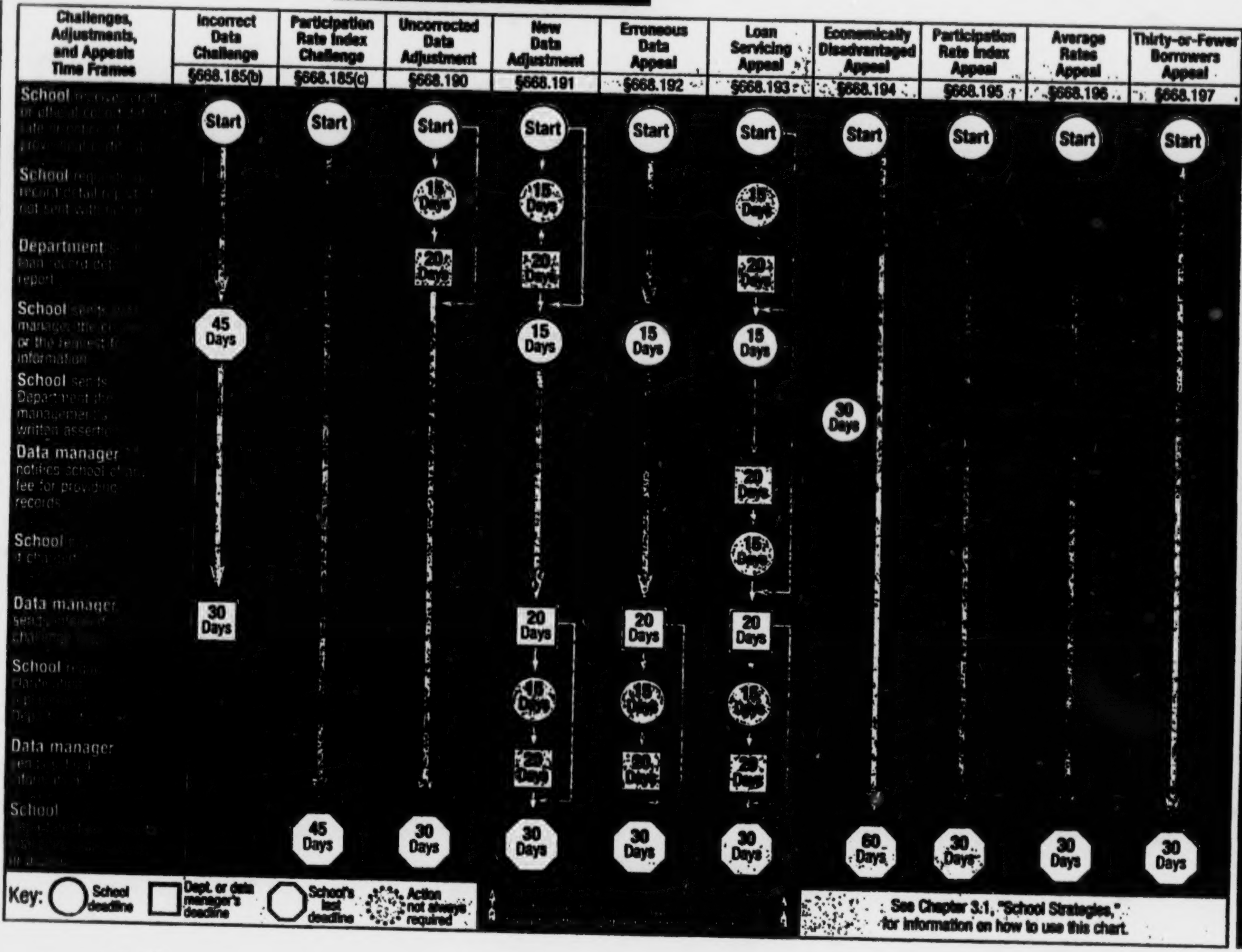
Challenges, Adjustments, and Appeals Time Frames
Incorrect Data Challenge
§668.185(b)
Participation Rate Index Challenge
§668.185(c)
Uncorrected Data Adjustment
§668.190
New Data Adjustment
§668.191
Erroneous Data Appeal
§668.192
Loan Servicing Appeal
§668.193
Economically Disadvantaged Appeal
§668.194
Participation Rate Index Appeal
§668.195
Average Rates Appeal
§668.196
Thirty-or-Fewer Borrowers Appeal
§668.197
School
School
Department
School
School sends Department
Data manager notifies school of fee for providing records
School
Data manager
School
Data manager
School
Start
15 Days
20 Days
45 Days
15 Days
30 Days
30 Days
20 Days
45 Days
60 Days
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required
See Chapter 3.1, "School Strategies," for information on how to use this chart.

Figure 3.1.5- Challenges, Adjustments, and Appeals Time Frames

130

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131

A school that believes it has exceptional mitigating circumstances does not need to wait for the release of the cohort default rates to begin preparing a challenge or appeal. For example, a school with a low number of borrowers that believes it will be subject to sanction can begin preparing its participation rate index challenge or participation rate index appeal prior to the release of the cohort default rates.

What are the time frames for submitting a challenge, adjustment, or appeal?

Figure 3.1.5 outlines the time frames for submitting a challenge, adjustment, or appeal. A school or data manager should not rely exclusively on this chart when submitting or responding to a challenge, adjustment, or appeal. For more details on these time frames and the challenge, adjustment, or appeal process, see the appropriate chapter in Part IV.

How does a school or data manager use the time frames chart?

The challenge, adjustment, or appeal process begins on the date that a school receives its draft cohort default rate, official cohort default rate, notice of loss of eligibility, or notice of provisional certification. This date is represented by the word "Start" in a circle.

The time frames in the chart identify the number of calendar days for completing a process. The time frame begins either at "Start" or on the date a subsequent action is completed. For example, if a school is waiting for a response from a data manager, the time frame begins on the date the school receives the response. If a school is waiting for responses from more than one data manager, the time frame for completion begins on the date that the school receives the final response from the last data manager.

The columns on the time frame chart represent the 10 challenges, adjustments, and appeals. Challenges are shown in the first two columns and are submitted after release of the draft cohort default rates. Adjustments and appeals are shown in the remaining columns and are submitted after the release of the official cohort default rates.

The rows on the time frame chart represent the various steps that can be taken as part of a challenge, adjustment, or appeal. The steps are marked by time frames surrounded by either a circle, square, or stop sign. A circle represents a school time frame. A square represents a data manager or Department time frame. A stop sign represents a school's final time frame for submission.

To determine if a specific step is part of a specific challenge, adjustment, or appeal, follow the row representing the specific step across the row to the column representing the specific challenge, adjustment, or appeal. If there is a time frame in the box where the row intersects the column, that specific step is a part of that specific challenge, adjustment, or appeal.

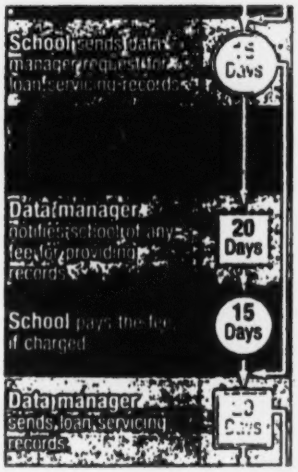
For example, a school wishes to know if it must submit anything to a data manager as part of a participation rate index appeal. The school would follow the row named "School sends data manager challenge or request for information" to the column named "Participation Rate Index Appeal." Because there is no time frame in this location, the school does not need to submit anything to a data manager as part of a participation rate index appeal.

The chart can also be read in the other direction. That is, a school or data manager can start at the top of the column for a specific challenge, adjustment, or appeal and read down the column. If there is a time frame on a step, the step is a part of that specific challenge, adjustment, or appeal.

For example, a school wishes to know the steps for submitting an economically disadvantaged appeal. The school would follow the "Economically Disadvantaged Appeal" column down from the top and see that three steps are involved: the school receives notice, the school submits a manager's written assertion, and the school submits the completed challenge, adjustment, or appeal.

Figure 3.1.6

Excerpt from Time Frame for Submitting a Loan Servicing Appeal


School sends data manager request for loan servicing records
Days
Data manager notifies school of any fee for providing records
20 Days
School pays the fee, if charged
15 Days
Data manager sends loan servicing records
Days

However, some steps in a specific challenge, adjustment, or appeal are not mandatory steps. A mandatory step is designated by an orange-colored time frame with a solid border. A step that is required only in certain circumstances is designated by a purple-colored time frame with a dotted border.

Figure 3.1.6 shows a portion of the time frame for submitting a loan servicing appeal. If the data manager requires a school to pay a fee for loan servicing records for a loan servicing appeal, the school must pay the fee before receiving the records. The time frame for the data manager to notify the school of the need to make payment and the time frame for the school to make payment (the two middle frames) have dotted purple borders, indicating that not every data manager may require payment of a fee. The first and last frames shown, however, are mandatory steps, and therefore have solid orange borders.

When confronted with a purple time frame, a school or data manager must determine if the time frame (and the step the time frame represents) applies. If the step applies, the time frame begins on the same date that it would if the time frame were orange.

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If the step does not apply, the time frame for the next required action is determined as if the purple time frames with the dotted borders were not there. The time frame for the next required action begins on the date that the last required action was completed.

As mentioned, the final deadlines for a school are marked with a stop sign. The only exceptions to these final deadlines apply to new data adjustments, erroneous data appeals, and/or loan servicing appeals. Normally, the school's final deadline is 30 calendar days after receiving a response from a data manager. However, if the school makes submissions to more than one data manager, the school's 30-calendar-day time frame does not begin until the school has received responses from every data manager to which the school made a submission. Further, if the school is submitting more than one of a new data adjustment, an erroneous data appeal, or a loan servicing appeal, the school's final deadline is the later of

- 30 calendar days of receipt of the last response to all of the school's new data adjustment allegations,
- 30 calendar days of receipt of the last response to all of the school's erroneous data appeal allegations, or
- 30 calendar days of receipt of the last response to all of the school's requests for loan servicing records.

Data Manager Strategies

Chapter 3.2

Why should a data manager review this chapter? 3.2-1

What strategies can a data manager employ before the release of the draft and official cohort default rates? 3.2-1

What strategies can a data manager employ to help process challenges, adjustments, and appeals? 3.2-2

What should a data manager do if it receives an incorrect submission from a school? 3.2-4

What should a data manager do if the school's challenge, adjustment, or appeal is successful? 3.2-5

How does a data manager keep the Department informed about its cohort default rate actions? 3.2-5

Data Manager Strategies

Why should a data manager review this chapter?

Data managers should review this Guide for information regarding cohort default rates. This chapter contains basic strategies to prepare a data manager for the release of the cohort default rates as well as strategies to help a data manager process challenges, adjustments, and appeals.

The U.S. Department of Education's (the Department's) Default Management will send out supplements for the Guide with the draft and official cohort default rates. Data managers should review the supplements to determine what information has changed. Data managers should then incorporate the supplements into the appropriate sections of the Guide.

What strategies can a data manager employ before the release of the draft and official cohort default rates?

There are a number of strategies a data manager can employ before the release of the draft and official cohort default rates:

- determine data manager staff responsible for processing all cohort default rate challenges, adjustments, and appeals;
- establish school and Department cohort default rate contacts within the data manager organization and provide updates to schools and Default Management when those contacts change;
- notify Default Management if data manager address or corporate structure changes;
- identify staff responsible for enrollment changes;
- keep copies of all relevant correspondence between the data manager and schools, lenders, and the Department;
- timely submit, in accordance with Department regulations, changes in a borrower's loan information to the National Student Loan Data System (NSLDS) and print NSLDS screens to show acceptance of data manager changes;

- develop a plan to assist schools that enhances understanding of what reports and information a school can obtain from the data manager and describes how a school can correct the information; and
- use this Guide as a reference when discussing cohort default rate matters with schools.

A data manager may wish to develop a checklist, specific to the data manager's needs, of the activities the data manager needs to do before, during, and after the release of the draft and official cohort default rates.

A data manager should prepare and send monthly status reports to Default Management

A data manager should also begin preparations for the release of the cohort default rates. A data manager should prepare and send monthly status reports to Default Management. Further, there are a number of spreadsheets and letters used in.each challenge, adjustment, and appeal. See the individual challenge, adjustment, and appeal chapters in Part IV for information on these spreadsheets and letters and how a data manager uses them. The instructions for creating and completing the spreadsheets are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools." If a data manager has not previously created electronic copies of the various spreadsheets and letters it should do so before the release of the cohort default rates. If a data manager has already created electronic copies of the various spreadsheets and letters, it should locate those electronic copies and verify that they are ready for use.

What strategies can a data manager employ to help process challenges, adjustments, and appeals?

There are a number of things a data manager should do as part of the challenge, adjustment, and appeal process.

- A data manager should date stamp school challenge, adjustment, or appeal submissions when the submissions are received. The data manager response time frames begin when the package is first received by the data manager. Therefore, a data manager may wish to keep the package for proof of the receipt date until the challenge, adjustment, or appeal process is finished.
- A data manager should check the date a school received its cohort default rate notification letter on the electronic file sent by Default Management to determine if the school is timely in its submission. If the date is not listed on the report, or if the file cannot be opened, the data manager should contact Default Management for the date.

- A data manager should contact Default Management to discuss eligibility issues if the data manager receives any adjustments or appeals from a school on the Department's sanction list. When the official cohort default rates are released, the sanction list is made available online at

  http://www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html

- A data manager should review prior challenge, adjustment, and/or appeal responses if the data manager believes the school is attempting to submit a challenge, adjustment, or appeal for a borrower who was previously the subject of a challenge, adjustment, or appeal.

- A data manager should contact a school as soon as possible if the school does not include all the appropriate challenge, adjustment, or appeal materials.

- A data manager should make sure comments are entered in the comment column of the spreadsheets, particularly if the data manager disagrees with the school. The data manager should make sure the comment is clear and that supporting documentation is attached to the spreadsheet. The data manager may use abbreviations as long as the data manager provides a list of those abbreviations.

- A data manager should contact Default Management if assistance is needed to make a determination on a school's data, supporting documentation, or other information submitted as part of the challenge, adjustment, or appeal process.

- A data manager should send copies of its challenge, adjustment, or appeal responses to Default Management as the responses are processed. The data manager should not wait to send all the copies as one batch.

- A data manager should send all cohort default rate correspondence to all entities via certified mail or commercial delivery and maintain the documentation that shows the correspondence was timely sent. This information will be sent to Default Management as part of the monthly status report.

- A data manager should inform schools and Default Management if the data manager is unable to comply with time frames due to the data manager's workload.

What should a data manager do if it receives an incorrect submission from a school?

A data manager should contact a school as soon as possible if a school incorrectly asks for guidance about or submits a participation rate index challenge, economically disadvantaged appeal, participation rate index appeal, average rates appeal, or thirty-or-fewer borrowers appeal to the data manager. The data manager should inform the school that the materials or question must be submitted to Default Management within the appropriate time frame. The data manager must also inform Default Management of the incorrect submission.

If the data manager receives a challenge, adjustment, or appeal but the data manager does not hold the loans, the data manager should notify the school and Default Management that the challenge, adjustment, or appeal must be submitted to the appropriate data manager and remind the school that the challenge, adjustment, or appeal must be submitted to the appropriate data manager within the appropriate time frame.

There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the loan record detail report does not yet reflect the assignment. In that event, the data manager should send the school and Default Management a notice stating that the loans have been assigned to the Department. The data manager should instruct schools to send the request to Default Management within 15 calendar days of receipt of the data manager's letter.

What should a data manager do if the school's challenge, adjustment, or appeal is successful?

After a school's successful incorrect data challenge, the data manager must update NSLDS and the data manager's internal records with the new information prior to the calculation of the next official cohort default rates. The data manager must also submit to NSLDS any subsequent incorrect data challenge changes submitted to the data manager by Default Management.

After a data manager is informed by Default Management that a school's new data adjustment, uncorrected data adjustment, or erroneous data appeal was successful, the data manager must update NSLDS and the data manager's internal records with the new information prior to the calculation of the next draft cohort default rates.

A data manager must ensure that the data is successfully entered into NSLDS

A data manager must ensure that the data is successfully entered into NSLDS. A data manager should review the NSLDS error report. Contact NSLDS Customer Service at 1-800-999-8219 for submission assistance.

How does a data manager keep the Department informed about its cohort default rate actions?

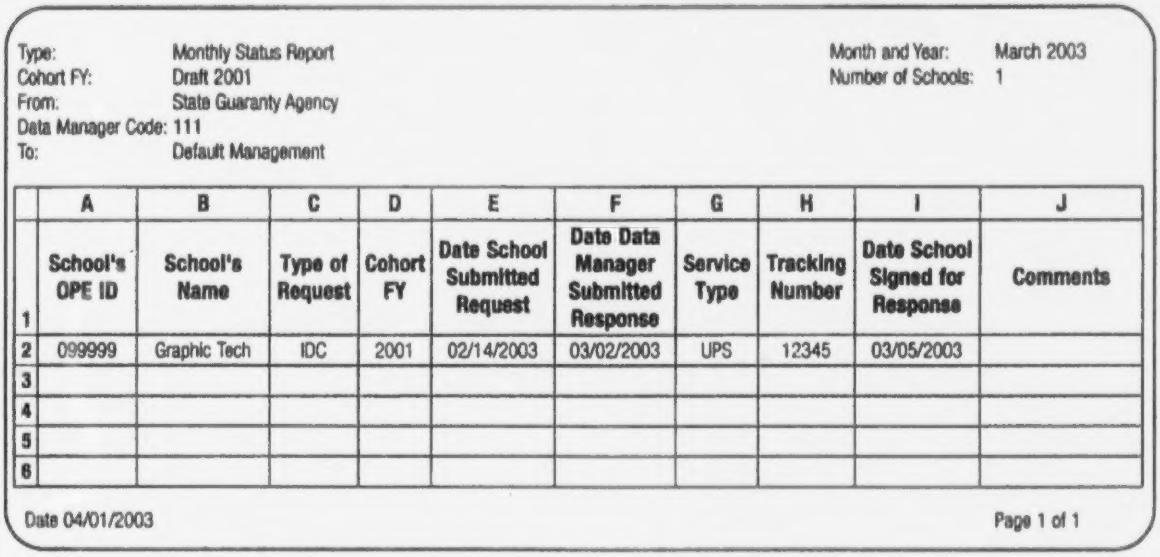
Data managers send monthly reports to Default Management listing the status of all cohort default rate related requests the data manager has received. The monthly status report is a cumulative list of requests that data managers receive from schools after the release of the draft cohort default rates or the official cohort default rates. This process minimizes the need for Default Management to contact a data manager. These status reports will assist Default Management in monitoring the time frames associated with the cohort default rate process. The monthly status reports should be sent to Default Management within seven calendar days after the end of each month.

If the data manager does not receive any requests from schools, it should submit a blank monthly status report to Default Management indicating that it has not received any requests. If the data manager does not review a response because of an untimely submission, the data manager should note this on the monthly status report.

A data manager should not submit copies of its responses to schools to Default Management with its monthly report. Copies of these responses should be sent to Default Management at the same time the data manager sends the response to the school.

Sample Data Manager Monthly Status Report to Default Management

Once the data manager has responded to all of the requests received, and the data manager has not received any subsequent requests, the data manager should send Default Management an updated status report marked "FINAL." After the data manager sends Default Management the final report, the data manager does not send any more monthly status reports until the next cohort default rates are released. Figure 3.2.1 is a sample monthly status report. The instructions for creating and completing the status report are in the "Data Manager Tools" section of Chapter 3.3, "Strategy Tools."



Type: Monthly Status Report
Cohort FY: Draft 2001
From: State Guaranty Agency
Data Manager Code: 111
To: Default Management

Month and Year: March 2003
Number of Schools: 1

	A	B	C	D	E	F	G	H	I	J
1	**School's OPE ID**	**School's Name**	**Type of Request**	**Cohort FY**	**Date School Submitted Request**	**Date Data Manager Submitted Response**	**Service Type**	**Tracking Number**	**Date School Signed for Response**	**Comments**
2	099999	Graphic Tech	IDC	2001	02/14/2003	03/02/2003	UPS	12345	03/05/2003	
3										
4										
5										
6										

Date 04/01/2003

Page 1 of 1

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141

Strategy Tools

Chapter

3.3

Repayment Information Tools 3.3-1

What types of repayment information are available? 3.3-1

How does a school obtain summary repayment information? 3.3-2

How does a school obtain detailed repayment information? 3.3-3

How does a school read a detailed repayment information extract file? 3.3-7

Is repayment information subject to the Privacy Act? 3.3-7

School Tools 3.3-8

Data Manager Tools 3.3-10

Data Manager Monthly Status Report Instructions 3.3-10

Which Department address does a data manager use for submitting a monthly status report? 3.3-12

Full-Sized Blank Spreadsheets 3.3-12

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Strategy Tools

Repayment Information Tools

What types of repayment information are available?

Repayment information is available in a summary format or in a detailed file format.

The summary format provides a school with

- the number of borrowers who entered into repayment in the first 12 months of the most recent 24-month period and
- the number of those borrowers who entered into repayment in the first 12 months of the most recent 24-month period and defaulted or met other specified conditions during that 24-month period.

A school will be able to access summary repayment information associated with up to 17 different 24-month periods. For example, in February 2004 a school decides to request summary repayment information. Figure 3.3.1 details the 24-month periods for which the school can request summary repayment information for February 2004.

Figure 3.3.1

24-Month Periods Available to School in February 2004

24-Month Periods
February 1, 2002 to January 31, 2004
January 1, 2002 to December 31, 2003
December 1, 2001 to November 30, 2003
November 1, 2001 to October 31, 2003
October 1, 2001 to September 30, 2003
September 1, 2001 to August 31, 2003
August 1, 2001 to July 31, 2003
July 1, 2001 to June 30, 2003
June 1, 2001 to May 31, 2003
May 1, 2001 to April 30, 2003
April 1, 2001 to March 31, 2003
March 1, 2001 to February 28, 2003
February 1, 2001 to January 31, 2003
January 1, 2001 to December 31, 2002
December 1, 2000 to November 30, 2002
November 1, 2000 to October 31, 2002
October 1, 2000 to September 30, 2002

The detailed file format provides a school with

- an individual listing of all the selected borrowers tallied in the summary format and
- information about each of the relevant loans for each borrower included on the report.

This information is the same type of data provided on a school's loan record detail report.

The detailed file format repayment information is only available for the most recent 24-month period. That is, a school can request detailed repayment information only for the 24-month period that ends on the last day of the month before the month in which the school makes the request. For example, in February 2004 a school decides to request detailed repayment information. The school may only request information for the 24-month period that began on February 1, 2002 and ended on January 31, 2004.

Because a school can only request a detailed file format for the most recent 24-month period, it is important that a school monitor its repayment information on a monthly basis and, if desired, download the most recent detailed file format on a monthly basis.

To access a school's repayment information, an individual at the school must have an NSLDS User ID. This is a restricted data system, and each school has been assigned an individual User ID and password. To obtain an NSLDS User ID, contact CPS/WAN Technical Support at 1-800-330-5947.

How does a school obtain summary repayment information?

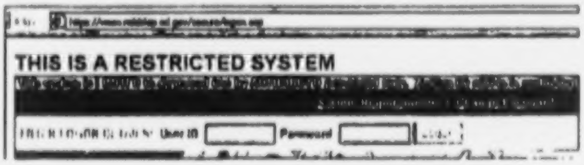
Summary repayment information is available from the U.S. Department of Education's (the Department's) National Student Loan Data System (NSLDS) website at

https://www.nsldsfap.ed.gov

The NSLDS website can also be accessed through

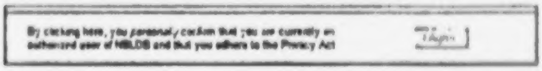
http://sfa4schools.sfa.ed.gov

Step 1: Log on to the NSLDS website by entering the NSLDS User ID and password and clicking "Logon."



THIS IS A RESTRICTED SYSTEM

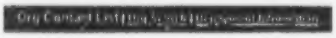
Step 2: Read the Privacy Act statement and confirm that you are an authorized user of NSLDS and that you will adhere to the Privacy Act by clicking "I Agree."



By clicking here, you personally confirm that you are currently an authorized user of NSLDS and that you adhere to the Privacy Act

Step 3: Once logged on to NSLDS, select the "Org" tab from the main menu bar at the top of the screen.

Step 4: Under the "Org" tab select "Repayment Information."



Step 5: View the school's summary repayment information.

How does a school obtain detailed repayment information?

Detailed file format repayment information is requested using the NSLDS website at

https://www.nsldsfap.ed.gov

The NSLDS website can also be accessed through

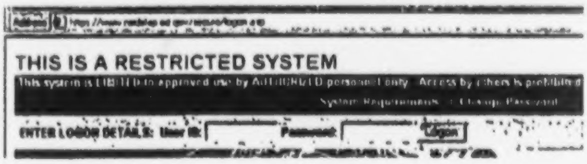
http://sfa4schools.sfa.ed.gov

Once the request has been made via the NSLDS website, the detailed file format is delivered to the Student Aid Internet Gateway (SAIG, which replaces the Title IV Wide Area Network) mailbox associated with the NSLDS User ID making the request. EDconnect software is used to download the detailed file format from the user's SAIG mailbox. Therefore, in order to request detailed file format repayment information, the requestor must have an NSLDS User ID, a SAIG account, and EDconnect software.

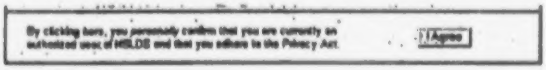
There are two types of NSLDS User IDs: an online services User ID and an online services and batch User ID. Because both User IDs have SAIG mailboxes, both can be used to request detailed repayment information. However, if the online services only User ID is used, the detailed file format will be placed in the mailbox associated with that User ID and not in the mailbox associated with the online services and batch User ID. To obtain an NSLDS User ID, a SAIG account, EDconnect software, or additional information, contact CPS/WAN Technical Support at 1-800-330-5947.

The following provides a step-by-step description of how to request and download the detailed file format repayment information.

Step 1: Log on to the NSLDS website by entering the user's NSLDS User ID and password and clicking "Logon."

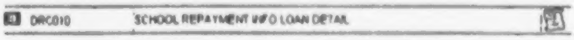


Step 2: Read the Privacy Act statement and confirm that you are an authorized user of NSLDS and that you will adhere to the Privacy Act by clicking "I Agree."

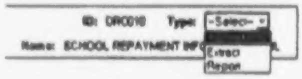


Step 3: Once logged on to NSLDS, select the "Report" tab from the menu bar at the top of the screen.

Step 4: Under the Report function, click on the blue number box to the left side of the screen for the "School Repayment Info Loan Detail."



Step 5: Select either "Extract" or "Report." This option will determine the format of the file that is provided.



An extract allows a school to customize the data. Schools can query and sort the repayment information based on the school's individual needs.

A report can be accessed using standard word processing software. When selecting a report, it is important to narrow the parameters of the report by entering the desired School ID (OPE ID) and cohort fiscal year. Also enter the output medium for the report (Download, RMDS, or WAN).

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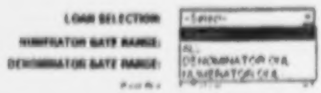
Step 6: Make a Loan Selection. This option will determine which loans are included in the file that is provided.

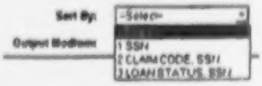


- The selection "ALL" will generate a detailed file that contains all of the loans included in the denominator only and numerator only reports.

- The selection "DENOMINATOR ONLY" will generate a detailed file that contains all of the loans that entered repayment during the first 12 months of the most recent 24-month period and did not default during that 24-month period.

- The selection "NUMERATOR ONLY" will generate a detailed file that contains only those loans that entered repayment during the first 12 months of the most recent 24-month period and defaulted during that 24-month period.

Step 7: Select the appropriate Sort By option. This option will determine the order of the borrowers if the school elects to receive a report file. However, an option must be entered, even if the school has requested an extract file.



- The selection "SSN" will sort the borrowers in Social Security Number order.

- The selection "CLAIM CODE, SSN" will sort the borrowers by claim code and then by Social Security Number.

- The selection "LOAN STATUS, SSN" will sort the borrowers by loan status code and then by Social Security Number.

Step 8: Read the statement regarding the content of the file requested and click "Submit."

Step 9: Verify that the information is correct and click "Confirm."

After completing these steps, a school can return to Step 5 and select the other option if the school so wishes. That is, a school that selects an extract at Step 5 can return to that step and also select a report.

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Step 10: A message will appear indicating the request was successfully submitted.

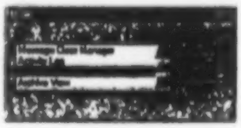
If the repayment information is requested before 10 a.m. EST, the file should be available by the end of that business day. If the repayment information is requested after 10 a.m. EST, the file should be available by the next business day.

Step 11: Before downloading the repayment information from the SAIG mailbox, ensure the ID you used when logging on to the NSLDS website is set up in the EDconnect software. If this has not been done, contact CPS/WAN Technical Support at 1-800-330-5947.

Step 12: Log onto the EDconnect software using the User ID associated with the NSLDS User ID that made the request for repayment information.

Step 13: Select "Now" from the Transmission menu.

Step 14: Once EDconnect has finished processing the Transmission Now request, select "Mailbox Query" from the New option on the File menu.

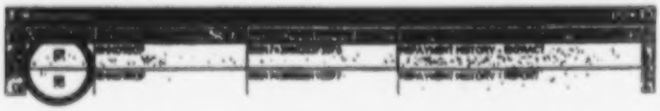


Step 15: EDconnect will provide a list of those files that are available for download. From the list of files available to be downloaded, identify the repayment information that was requested.

The message classes for repayment information consist of eight digits:

- SHNOTEOP for extract files
- SHNOTROP for report files

Step 16: Place a check mark in the Move to TQ column next to the message class associated with the requested repayment information.



Step 17: Select "Now" from the Transmission menu. EDconnect will download the file to the designated directory. At this point, a school can rename the file prior to saving it. A school may wish to name a file for the date the file was downloaded.

Step 18: Access the file.

For questions about the SAIG mailbox or downloading files, contact CPS/WAN Technical Support at 1-800-330-5947.

How does a school read a detailed repayment information extract file?

The layout of the repayment information extract file follows the layout of the electronic loan record detail report extract file. See Chapter 2.6, "General Information Tools," for a guide to the extract file.

Is repayment information subject to the Privacy Act?

Because repayment information contains personal identification information about borrowers who received loans under the Federal Family Education Loan (FFEL) and William D. Ford Federal Direct Loan (Direct Loan) programs, the Privacy Act of 1974 and the Family Educational Rights and Privacy Act (FERPA) apply to all repayment information. State and local laws and regulations may also govern the use of this material. Recipients must take appropriate steps to ensure that this material is used and discarded properly.

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School Tools

Figure 3.3.2

Blank School Records Spreadsheet

Figure 3.3.2 is a blank school records spreadsheet. There is also a full-sized blank school records spreadsheet at the end of this chapter. A school may photocopy and use the full-sized blank spreadsheet or create its own spreadsheet using the layout provided. The "Spreadsheet Tools" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," has more information on creating and completing spreadsheets. The spreadsheet should contain the following:

Type: School Records Spreadsheet

	A	B	C	D	E	F	G	H	I	J	K	L
1	Borrower's SSN	Borrower's Name	Type of Loan	Loan Period	Loan Status	Enrollment Status Code	Enrollment Status Date	LDA or LTH	Date Entered Repayment	Default/ NegAm Date	Claim Reason Code	Comments
2												
3												

Date __/__/__

Page __ of __

Left-side Header titles:
Type: School Records Spreadsheet

- Left-side Header: Enter the title shown in Figure 3.3.2.
- Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

For each Column A through L, on Row 1 enter the title as shown in Figure 3.3.1. Then, beginning with Row 2, enter the corresponding information as listed below:

- Column A, *Borrower's SSN*: Enter the Social Security Numbers (SSNs) of all the school's FFEL and Direct Loan borrowers.
- Column B, *Borrower's Name*: Enter the names of the individuals whose SSNs are listed in Column A.
- Column C, *Type of Loan*: Enter the code for the loan using the loan type codes from Figure 2.3.6 in Chapter 2.3, "Loan Record Detail Report."
- Column D, *Loan Period*: Enter the starting date and ending date of the loan period.
- Column E, *Loan Status*: Enter the loan status at the time the cohort default rate was calculated. Use the codes found in Figure 2.3.7 in Chapter 2.3, "Loan Record Detail Report."

- Column F, *Enrollment Status Code*: Enter the borrower's enrollment status at the time the cohort default rate was calculated. Use the codes found in Figure 2.3.11 in Chapter 2.3, "Loan Record Detail Report."

- Column G, *Enrollment Status Date*: Enter the date the borrower's enrollment status last changed.

- Column H, *LDA or LTH*: Enter the borrower's last date of attendance (LDA) or the date the borrower dropped below half-time enrollment (LTH) for each borrower listed in Column A.

- Column I, *Date Entered Repayment*: Enter the date the loan entered repayment. The school will need to estimate actual repayment dates if the school does not maintain this information. Generally, a school can do this by adding six months to the students' last dates of attendance or less-than-half-time dates to account for their grace periods. If a school knows of a reason why a borrower's repayment date was delayed (for example, if the student enrolled in another school before entering repayment or if the student entered active duty in the armed services), the school should try to adjust for those circumstances.

- Column J, *Default/NegAm Date*: Enter the date a guaranty agency paid a default claim to a lender on a FFEL or the date that a Direct Loan became 360 days delinquent or met other specified conditions.

- Column K, *Claim Reason Code*: Enter the reason why a FFEL or Direct Loan is considered in default. Use the codes found in Figure 2.3.9 in Chapter 2.3, "Loan Record Detail Report."

- Column L, *Comments*: Appropriate comments would include a listing of any entities the school sent information to, the date the information was sent, and whether or not the school has proof the information was timely sent. Appropriate comments would also indicate if the loan was discharged and why, whether or not the borrower re-enrolled at another school, or if a portion of the loan was canceled or repaid.

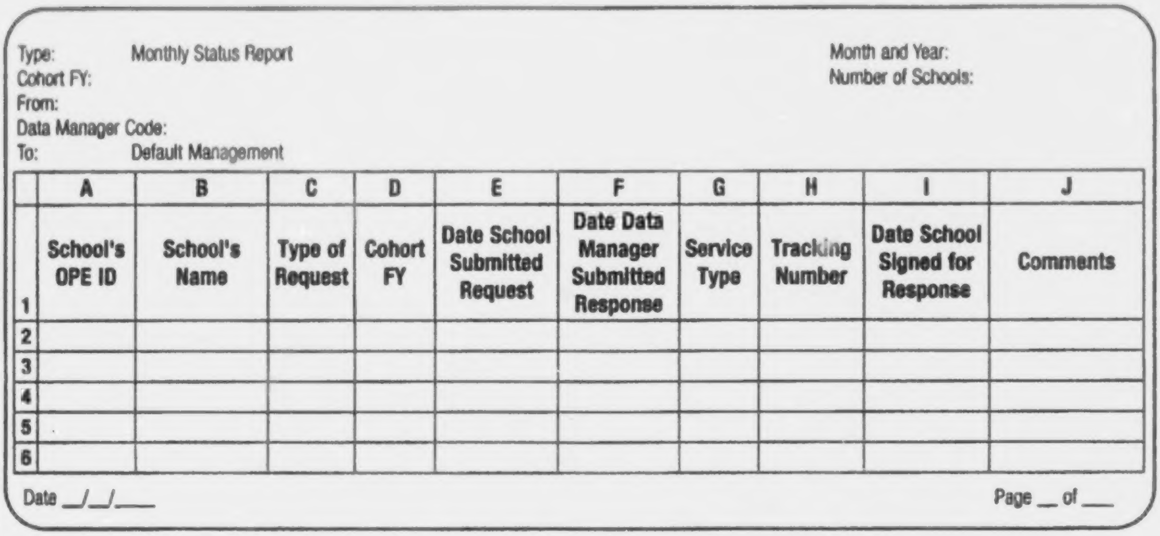
Once the spreadsheet is created and completed, the school should save the spreadsheet and update it each month. The school should save the spreadsheet each month under a different name so the spreadsheet is not overwritten and lost. That way, the school will have a historical record that can be used for statistics, tracking, and the challenge, adjustment, and appeal process.

Data Manager Tools

Data Manager Monthly Status Report Instructions

Blank Data Manager Monthly Status Report

Figure 3.3.3 is a blank monthly status report. There is a full-sized blank monthly status report at the end of this chapter. A data manager may photocopy and use the full-sized blank monthly status report or create its own monthly status report using the layout provided. The "Spreadsheet Tools" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," has more information on creating and completing spreadsheets. The status report should contain the following:



Type: Monthly Status Report
Cohort FY:
From:
Data Manager Code:
To: Default Management

Month and Year:
Number of Schools:

	A	B	C	D	E	F	G	H	I	J
1	**School's OPE ID**	**School's Name**	**Type of Request**	**Cohort FY**	**Date School Submitted Request**	**Date Data Manager Submitted Response**	**Service Type**	**Tracking Number**	**Date School Signed for Response**	**Comments**
2										
3										
4										
5										
6										

Date __/__/___

Page __ of ___

Left-side Header titles:
Type: Monthly Status Report
Cohort FY:
From:
Data Manager Code:
To: Default Management

Right-side Header titles:
Month and Year:
Number of Schools:

- Left-side Header: Enter the titles shown in Figure 3.3.3. After each title, enter the information appropriate to that title. When entering the cohort fiscal year, indicate draft or official as appropriate.
- Right-side Header: Enter the titles shown in Figure 3.3.3. After each title, enter the information appropriate to that title. After "Number of Schools:" enter the total number of different schools from Column A. Do not count a school more than once. The "Number of Schools," cannot be entered until the remainder of the spreadsheet is created and completed.
- Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

For each Column A through I, on Row 1 enter the title as shown in Figure 3.3.3. Then, beginning with Row 2, enter the corresponding information as listed below:

- Column A, *School's OPE ID*: Enter the OPE ID numbers of all the schools that have submitted requests to the data manager.
- Column B, *School's Name*: Enter the names of the schools whose OPE IDs are listed in Column A.
- Column C, *Type of Request*: Enter the type of request the school submitted. If the school submits multiple types of requests, enter a separate line for each request. Use the following codes:
  - IDC – Incorrect Data Challenge
  - NDA – New Data Adjustment
  - ER – Erroneous Data Appeal
  - LS – Loan Servicing Appeal
- Column D, *Cohort FY*: Enter the cohort fiscal year used in the request.
- Column E, *Date School Submitted Request*: Enter the date the school request was postmarked by the delivery service.
- Column F, *Date Data Manager Submitted Response*: Enter the date the data manager response was postmarked by the delivery service.
- Column G, *Service Type*: Enter the type of service delivery the data manager used to deliver a response to a school.
- Column H, *Tracking Number*: Enter the tracking number the delivery service assigned to the response.
- Column I, *Date School Signed for Response*: Enter the date the school signed for the response from the data manager.
- Column J, *Comments*: Enter any appropriate comments.

  The data manager should indicate whether the request is an original or subsequent request. If a subsequent request, the data manager should list the reason for the subsequent request (clarification of response, replacement of illegible records, etc.).

  The data manager should also enter a comment if the data manager did not review the request because of an untimely submission or because the school was not eligible to submit a challenge, adjustment, or appeal.

Which Department address does a data manager use for submitting a monthly status report?

The data manager should send monthly status reports to Default Management via commercial courier or the U.S. Postal Service. If sent by commercial overnight mail/courier delivery, the address is

U.S. Department of Education
Default Management
ATTN: Monthly Status Report
830 First Street, NE
Washington, DC 20002

If sent by U.S. Postal Service, the address is

U.S. Department of Education
Default Management
ATTN: Monthly Status Report
400 Maryland Avenue, SW
Washington, DC 20202-5353

A data manager should not send monthly status reports to any other addresses at the Department.

A data manager may be able to submit a monthly status report via electronic mail. Default Management will notify data managers each cycle how electronic mail will be accepted.

Default Management recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the monthly status report as well as all documentation submitted as a part of the monthly status report process.

Full-Sized Blank Spreadsheets

The following two pages contain full-sized versions of the report spreadsheets that were discussed earlier:

- School Records Spreadsheet
- Monthly Status Report

Type: **School Records Spreadsheet**

	A	B	C	D	E	F	G	H	I	J	K	L
1	Borrower's SSN	Borrower's Name	Type of Loan	Loan Period	Loan Status	Enrollment Status Code	Enrollment Status Date	LDA or LTH	Date Entered Repayment	Default/ NegAm Date	Claim Reason Code	Comments
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												

Date __/__/____

Page __ of __

Type: **Monthly Status Report**
Cohort FY:
From:
Data Manager Code:
To: Default Management

Month and Year:
Number of Schools:

	A	B	C	D	E	F	G	H	I	J
1	**School's OPE ID**	**School's Name**	**Type of Request**	**Cohort FY**	**Date School Submitted Request**	**Date Data Manager Submitted Response**	**Service Type**	**Tracking Number**	**Date School Signed for Response**	**Comments**
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
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23										
24										
25										

Date __/__/____

Page __ of __

Part IV

Challenges, Adjustments, and Appeals

Chapter 4.1 Incorrect Data Challenge

Chapter 4.2 Participation Rate Index Challenge

Chapter 4.3 Uncorrected Data Adjustment

Chapter 4.4 New Data Adjustment

Chapter 4.5 Erroneous Data Appeal

Chapter 4.6 Loan Servicing Appeal

Chapter 4.7 Economically Disadvantaged Appeal

Chapter 4.8 Participation Rate Index Appeal

Chapter 4.9 Average Rates Appeal

Chapter 4.10 Thirty-or-Fewer Borrowers Appeal

Chapter 4.11 Challenge, Adjustment, and Appeal Tools

Incorrect Data Challenge

Chapter 4.1

What is an incorrect data challenge? 4.1-1

Which schools are eligible to submit an incorrect data challenge? 4.1-1

What benefit will a school gain from submitting an incorrect data challenge? 4.1-2

What roles do the Department and data managers have in a school's incorrect data challenge? 4.1-3

How does a school submit an incorrect data challenge? 4.1-4

How does a school identify the data manager of a loan? 4.1-6

How does a data manager respond to a school's incorrect data challenge? 4.1-6

Which Department address does a data manager use for submitting a copy of its incorrect data challenge response? 4.1-12

What does Default Management do with a data manager's incorrect data challenge response? 4.1-13

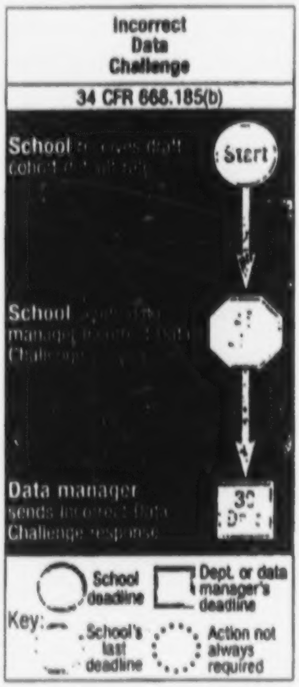
What does a school do with a data manager's incorrect data challenge response? 4.1-13

Incorrect Data Challenge

34 CFR 668.185(b)

Figure 4.1.1

Time Frame for Submitting an Incorrect Data Challenge



What is an incorrect data challenge?

After the release of the draft cohort default rates, the U.S. Department of Education (the Department) provides schools an opportunity to review the draft data and, if necessary, work with the data manager responsible for the loans to correct any errors. The process of correcting data is called an incorrect data challenge. This process was formerly referred to as a draft data challenge.

Figure 4.1.1 shows the time frame for submitting an incorrect data challenge.

Which schools are eligible to submit an incorrect data challenge?

Any school that receives a draft cohort default rate, including those with draft cohort default rates below 25.0 percent, is provided the opportunity to challenge its most recent draft cohort default rate. Because the draft data forms the basis for a school's official cohort default rate, it is important that every school review its loan record detail report for the draft cohort default rates and, if necessary, submit an incorrect data challenge. Even schools that have withdrawn from the Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) programs should review the loan record detail report for the draft cohort default rates and, if appropriate, submit an incorrect data challenge.

Challenging draft cohort default rate data enables a school to request a correction to what it believes to be inaccurate data contained in the school's loan record detail report for the draft cohort default rates. A loan record detail report for the draft cohort default rates contains inaccurate data if

- a borrower's data was incorrectly reported in the draft cohort default rate calculation,
- a borrower was incorrectly included in the draft cohort default rate calculation, and/or
- a borrower was incorrectly excluded from the draft cohort default rate calculation.

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It is important to correct inaccurate data through an incorrect data challenge for a number of reasons:

A school will not have a second opportunity to submit an incorrect data challenge

- A school will not have a second opportunity to submit an incorrect data challenge; in its review, the school needs to ensure that no discrepancies exist among its records, the information obtained from outside sources, and the loan record detail report for the draft cohort default rates.
- The loan information used to calculate the draft cohort default rate will be used to calculate the school's official cohort default rate; the school needs to ensure that this data is accurate because official cohort default rates can result in certain benefits for the school or sanctions against the school.
- An incorrect data challenge will preserve a school's right to submit an uncorrected data adjustment if the agreed upon changes are not reflected in the official cohort default rate.
- An incorrect data challenge will preserve a school's right to submit an erroneous data appeal on the basis of disputed data if the school is subject to sanction after the release of the official cohort default rates.

What benefit will a school gain from submitting an incorrect data challenge?

If it is determined that the draft cohort default rate data is inaccurate, and the data manager responsible for the inaccurate data agrees to make a change to the data, the school's official cohort default rate should reflect the change. The change to the data may lower, raise, or not affect the cohort default rate.

If the agreed upon changes are not reflected in the official cohort default rate, a school may submit an uncorrected data adjustment to the Department's Default Management after the release of the official cohort default rates to request that Default Management make the manual change to the school's cohort default rate.

If the data manager does not agree to change the data in a school's incorrect data challenge and the school is subject to sanction after the release of the official cohort default rates, the school may submit an erroneous data appeal based on the data the school believes is inaccurate if that data was included in the school's incorrect data challenge.

What roles do the Department and data managers have in a school's incorrect data challenge?

A data manager is required to review a school's incorrect data challenge allegations if the incorrect data challenge allegations are submitted in a timely manner and the data manager has responsibility for the loans. If a school submits incorrect data challenge allegations to the wrong entity, the incorrect data challenge allegations will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the loan record detail report identifies the data manager for a loan. See Chapter 2.3, "Loan Record Detail Report," for information on determining the data manager for a loan.

The data manager must respond to the school's incorrect data challenge allegations within 30 calendar days of receipt. However, the data manager must not review incorrect data challenge allegations if the school did not send the incorrect data challenge allegations within the 45-calendar-day time frame. If the data manager does not respond within 30 calendar days, the school should advise Default Management in writing of the delay.

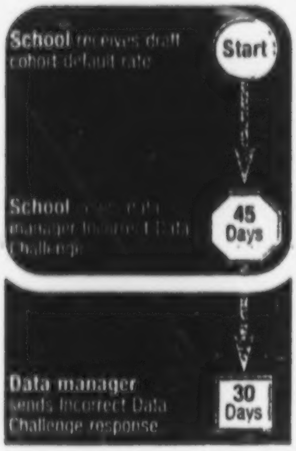
The Department has two roles in the incorrect data challenge process. The primary role is to review a data manager's response to a school's incorrect data challenge to ensure that the response is correct.

The Department's other role is to respond to a school's incorrect data challenge if the Department is the data manager for the loans being challenged. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

Default Management is responsible for responding to a school's incorrect data challenge for FFELs that the Department holds. These loans are primarily identified in the loan record detail report with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" section of Chapter 2.6, "General Information Tools," for a listing of other codes that identify the Department as the holder of a loan.

The Department's Direct Loan servicer is responsible for responding to a school's incorrect data challenge for all Direct Loans, even those that are in default. These loans are identified in the loan record detail report with a guarantor/servicer code of 0101.

How does a school submit an incorrect data challenge?


School receives draft cohort default rate
Start
School sends data manager Incorrect Data Challenge
45 Days
Data manager sends Incorrect Data Challenge response
30 Days

Timing is critical when submitting an incorrect data challenge. In order to submit an incorrect data challenge, a school must review the loan record detail report for the draft cohort default rates to determine if the loan record detail report contains any inaccurate data. If the school believes the loan record detail report contains inaccurate data, it should submit an incorrect data challenge listing the school's incorrect data allegations to the data manager responsible for the loan with the inaccurate data. The school must submit the incorrect data challenge within 45 calendar days of receipt of the hardcopy loan record detail report for the draft cohort default rates.

Chapter 3.1, "School Strategies," outlines a method a school can follow to determine if the loan record detail report contains inaccurate data. The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," lists examples of incorrect data challenge allegations a school may submit as a part of an incorrect data challenge.

A school must list separate incorrect data challenge allegations for each loan record that the school believes contains inaccurate data. If one data manager is responsible for all the loans, the school must list all the allegations in one incorrect data challenge. However, if there are multiple data managers involved, the school must submit a separate incorrect data challenge to each data manager. For example, a school believes the loan record detail report contains three loans with inaccurate data. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate incorrect data challenges, one for each data manager, listing only the loans held by each data manager.

If a school submits an incorrect data challenge to the wrong entity, the incorrect data challenge will not be reviewed and the school could miss the deadline for challenging the draft data. Incorrect data challenges are not sent to Default Management unless the school is challenging a FFEL that the Department holds.

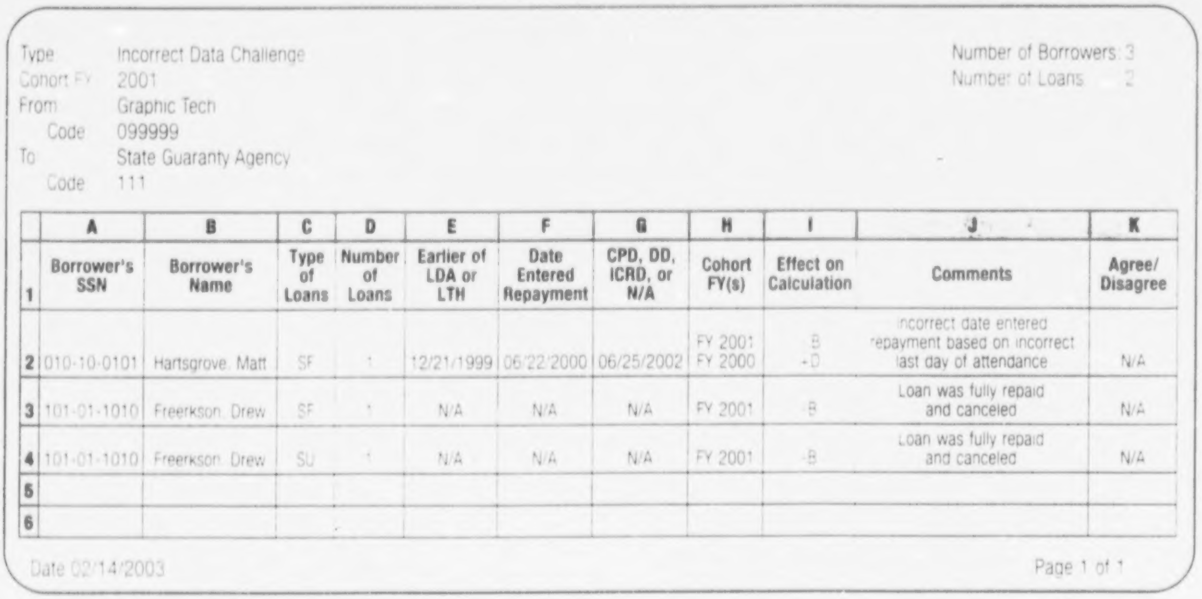
The incorrect data challenge must include the following items:

- A completed incorrect data challenge spreadsheet that lists the inaccurate data reflected on the loan record detail report.

  Figure 4.1.2 is a sample school incorrect data challenge spreadsheet to a data manager. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.1.2

Sample School Incorrect Data Challenge Spreadsheet to Data Manager



Type Incorrect Data Challenge
Cohort FY 2001
From Graphic Tech
Code 099999
To State Guaranty Agency
Code 111

Number of Borrowers: 3
Number of Loans 2

	A	B	C	D	E	F	G	H	I	J	K
1	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
2	010-10-0101	Hartsgrove, Matt	SF	1	12/21/1999	06/22/2000	06/25/2002	FY 2001 FY 2000	-B +D	Incorrect date entered repayment based on incorrect last day of attendance	N/A
3	101-01-1010	Freerkson, Drew	SF	1	N/A	N/A	N/A	FY 2001	-B	Loan was fully repaid and canceled	N/A
4	101-01-1010	Freerkson, Drew	SU	1	N/A	N/A	N/A	FY 2001	-B	Loan was fully repaid and canceled	N/A
5											
6											

Date 02/14/2003

Page 1 of 1

- Copies of the appropriate pages from the loan record detail report(s).

  The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," lists examples of the loan record detail report pages a school should submit as a part of an incorrect data challenge.

- Copies of relevant supporting documentation.

  The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," contains examples of the type of supporting documentation a school must submit to support the incorrect data challenge allegation.

❖ A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is submitting an incorrect data challenge, and the cohort fiscal year to which the incorrect data challenge applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the incorrect data challenge] Incorrect Data Challenge." The letter must include a certification that the information provided is true and correct under penalty of perjury. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.1.3 is a sample school incorrect data challenge letter to a data manager.

The Department recommends that a school send all incorrect data challenge correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its incorrect data challenge. A school should maintain the documentation that verifies the receipt of the incorrect data challenge as well as all electronic and hardcopy documentation submitted as a part of the incorrect data challenge process. If a school does not meet the 45-calendar-day time frame for submitting an incorrect data challenge, the incorrect data challenge will not be reviewed.

The data manager must respond to a school's incorrect data challenge within 30 calendar days of receiving the incorrect data challenge. If the data manager disagrees with a school's incorrect data challenge allegations, it must provide documentation to support its decision.

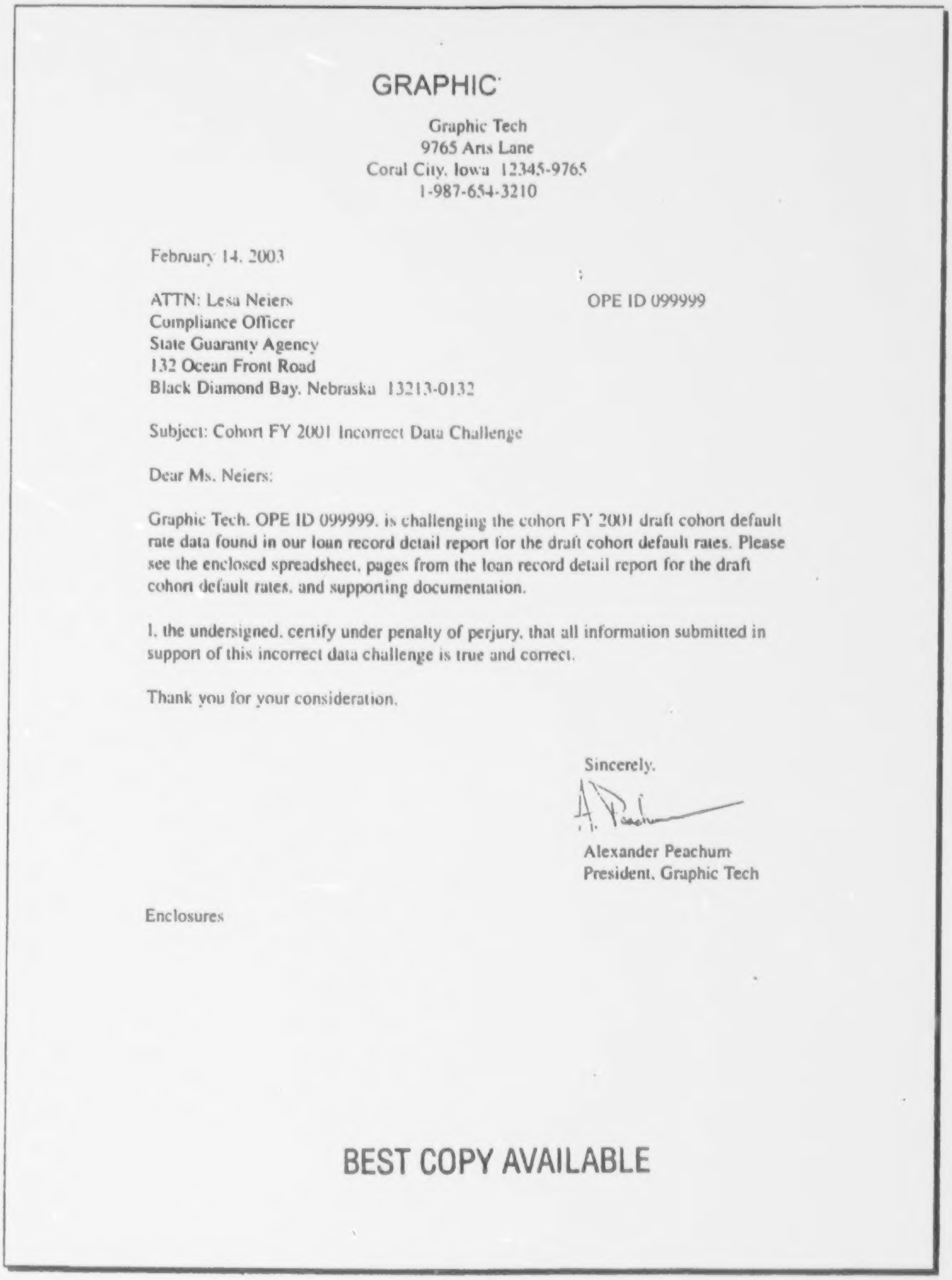
How does a school identify the data manager of a loan?

The guarantor/servicer code on the loan record detail report shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See the "Numerical Data Manager Contacts" section in Chapter 2.6, "General Information Tools," for a listing of data manager codes and addresses.

How does a data manager respond to a school's incorrect data challenge?

Timing is critical when responding to a school's incorrect data challenge. A data manager is required to respond to a school's timely submitted incorrect data challenge for those loans for which the entity is the data manager and send a copy of the response to Default Management. However, a data manager must not review a

Figure 4.1.3 - Sample School Incorrect Data Challenge Letter to Data Manager



GRAPHIC

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

February 14, 2003

ATTN: Lesa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

OPE ID 099999

Subject: Cohort FY 2001 Incorrect Data Challenge

Dear Ms. Neiers:

Graphic Tech, OPE ID 099999, is challenging the cohort FY 2001 draft cohort default rate data found in our loan record detail report for the draft cohort default rates. Please see the enclosed spreadsheet, pages from the loan record detail report for the draft cohort default rates, and supporting documentation.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of this incorrect data challenge is true and correct.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

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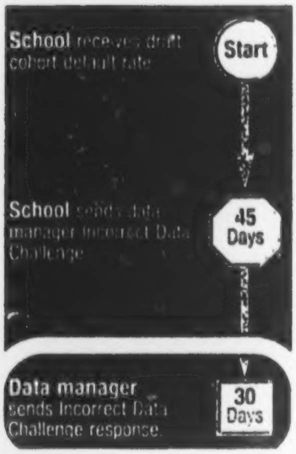
school's incorrect data challenge if the 45-calendar-day time frame for a school to submit the incorrect data challenge has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its incorrect data challenge to the data manager no later than the next federal business day.


School receives draft cohort default rate
Start
School sends data manager Incorrect Data Challenge
45 Days
Data manager sends Incorrect Data Challenge response.
30 Days

Before denying a school's incorrect data challenge on the basis of a late submission, a data manager should verify the actual date the school received its hardcopy loan record detail report for the draft cohort default rates from Default Management. If the school did not submit the incorrect data challenge in a timely manner, the data manager must not review any part of the incorrect data challenge. In its response to the school, the data manager should explain that it is unable to review the incorrect data challenge because the school missed the regulatory deadline. The data manager must also send a copy of the response to Default Management.

The data manager must respond to a timely submitted incorrect data challenge within 30 calendar days of receiving the incorrect data challenge. In its incorrect data challenge response, the data manager will address each of the school's timely submitted incorrect data challenge allegations. If the data manager does not respond within 30 calendar days, the school should advise Default Management in writing of the delay.

If the incorrect data challenge is timely, a data manager must review each incorrect data challenge allegation submitted by the school. The data manager should determine the following:

- The data manager should determine if the incorrect data challenge allegations presented by the school are based on loans that the data manager currently holds.

  If the data manager does not hold the loans, the data manager should notify the school and Default Management that the incorrect data challenge must be submitted to the appropriate data manager and remind the school that the incorrect data challenge must be submitted to the appropriate data manager within 45 calendar days of the school's receipt of its hardcopy loan record detail report for the draft cohort default rates. There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the loan record detail report for the draft cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and Default Management a notice stating that the loans have been assigned to the Department. The school then has until the later of the initial 45-calendar-day deadline or 15 calendar days after receipt of the letter from the data manager to submit the incorrect data challenge to Default Management.

- The data manager should determine if all relevant material is present.

  See the section of this chapter entitled "How does a school submit an incorrect data challenge?" for information on the materials a school is required to submit with its incorrect data challenge. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 45-calendar-day deadline for submitting incorrect data challenges. If the school does not submit the additional information within the deadline, the data manager must not review the incorrect data challenge allegation.

- The data manager should determine if its documentation supports or refutes each of the incorrect data challenge allegations listed on the school's spreadsheet.

  The data manager should agree with the school if the data manager's documentation supports the school's claim or if the school has demonstrated that the data manager has failed to take into account correct information the school timely sent to the data manager or the National Student Loan Data System (NSLDS).

  The data manager should disagree with the school if the data manager's documentation refutes the school's claim or if the school failed to demonstrate that the correct information was timely submitted to the data manager or NSLDS. The data manager must explain to the school why it disagrees with the school and send the school a copy of the data manager's supporting documentation. The data manager must send a copy of the response and the supporting documentation to Default Management.

After making its determinations, the data manager must compile a list of the data manager's responses to the school's list of alleged errors. The data manager must record the responses to each of the alleged errors on an incorrect data challenge response spreadsheet and provide comments on why the data manager agrees or disagrees with each of the school's incorrect data challenge allegations. If the data manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS. Before the release of the official cohort default rates, the data manager must ensure that the changes it agreed to make were successfully loaded into NSLDS. The data manager should check the NSLDS error report.

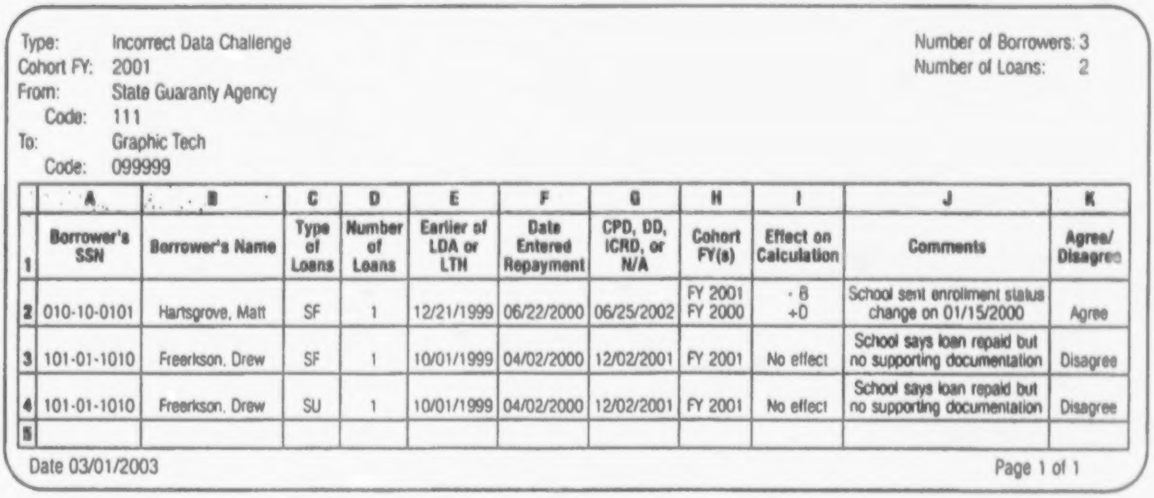
The data manager must provide supporting documentation if the data manager disagrees with the school's incorrect data challenge allegations. In addition, if the data manager's response indicates that a loan has been repurchased, the data manager should provide the original claim paid date, the repurchase date, the reason the loan was repurchased, and the default date if any subsequent claim was filed. The data manager's response must include the following:

- A spreadsheet of the data manager's responses to the school's list of alleged errors.

  Figure 4.1.4 is a sample data manager incorrect data challenge response spreadsheet to a school. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.1.4

Sample Data Manager Incorrect Data Challenge Response Spreadsheet to School



Type: Incorrect Data Challenge
Cohort FY: 2001
From: State Guaranty Agency
Code: 111
To: Graphic Tech
Code: 099999

Number of Borrowers: 3
Number of Loans: 2

	A	B	C	D	E	F	G	H	I	J	K
1	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
2	010-10-0101	Hartsgrove, Matt	SF	1	12/21/1999	06/22/2000	06/25/2002	FY 2001 FY 2000	-8 +0	School sent enrollment status change on 01/15/2000	Agree
3	101-01-1010	Freerkson, Drew	SF	1	10/01/1999	04/02/2000	12/02/2001	FY 2001	No effect	School says loan repaid but no supporting documentation	Disagree
4	101-01-1010	Freerkson, Drew	SU	1	10/01/1999	04/02/2000	12/02/2001	FY 2001	No effect	School says loan repaid but no supporting documentation	Disagree
5											

Date 03/01/2003

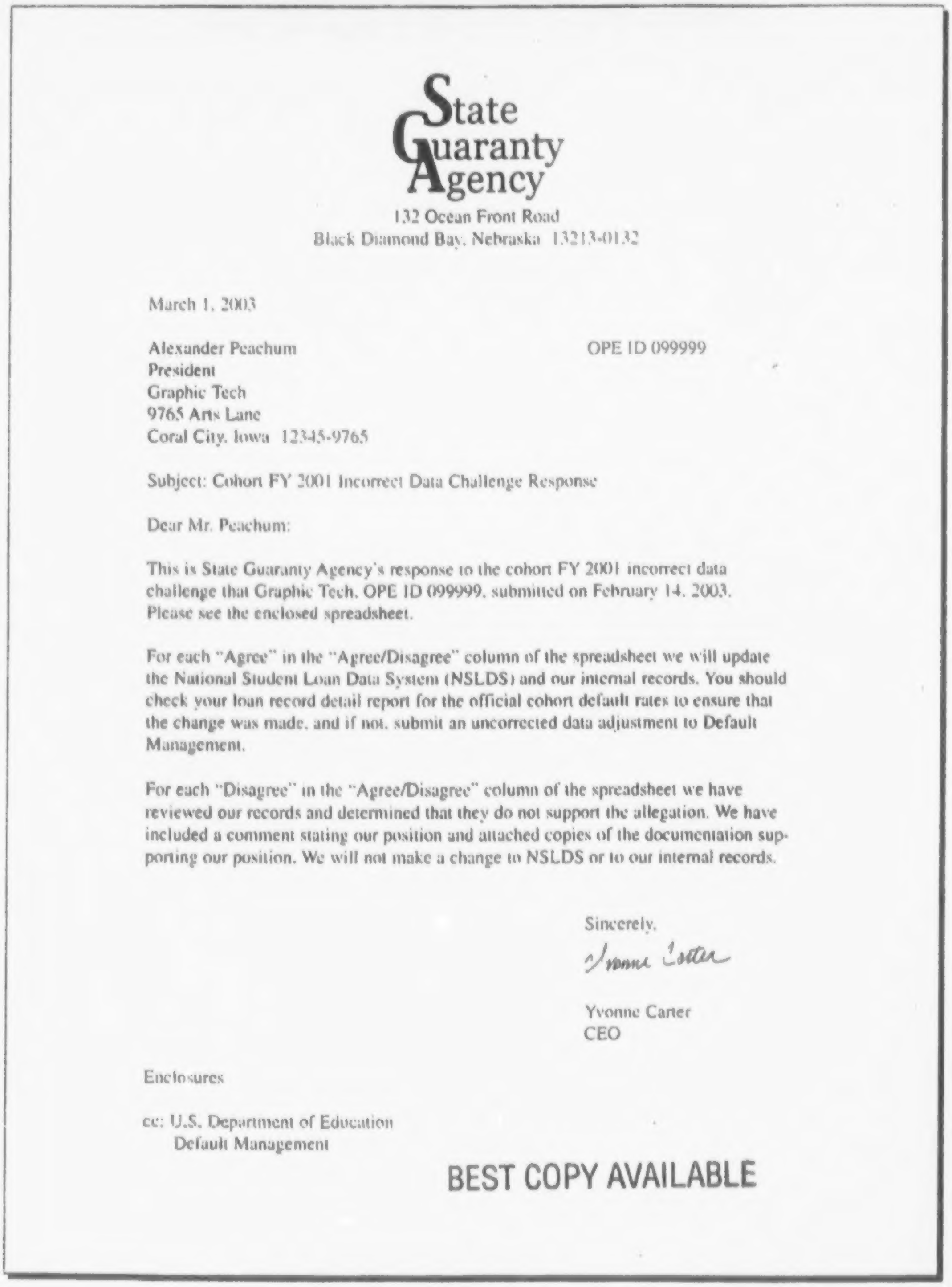
Page 1 of 1

- Copies of supporting documentation for each incorrect data challenge allegation with which the data manager disagreed.

- A letter on the data manager's letterhead with the school's name and OPE ID number.

  The letter must indicate that the data manager is responding to the school's incorrect data challenge and state the cohort fiscal year to which the response applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the challenge] Incorrect Data Challenge Response." The letter must include a statement that a copy of the response has been sent to Default Management. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.1.5 is a sample data manager incorrect data challenge response letter.

Figure 4.1.5 - Sample Data Manager Incorrect Data Challenge Response Letter to School



State
Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

March 1, 2003

Alexander Peachum
President
Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765

OPE ID 099999

Subject: Cohort FY 2001 Incorrect Data Challenge Response

Dear Mr. Peachum:

This is State Guaranty Agency's response to the cohort FY 2001 incorrect data challenge that Graphic Tech, OPE ID 099999, submitted on February 14, 2003. Please see the enclosed spreadsheet.

For each "Agree" in the "Agree/Disagree" column of the spreadsheet we will update the National Student Loan Data System (NSLDS) and our internal records. You should check your loan record detail report for the official cohort default rates to ensure that the change was made, and if not, submit an uncorrected data adjustment to Default Management.

For each "Disagree" in the "Agree/Disagree" column of the spreadsheet we have reviewed our records and determined that they do not support the allegation. We have included a comment stating our position and attached copies of the documentation supporting our position. We will not make a change to NSLDS or to our internal records.

Sincerely,

Yvonne Carter

Yvonne Carter
CEO

Enclosures

cc: U.S. Department of Education
Default Management

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The data manager sends its response to the school and a copy of the response to Default Management.

If a data manager is unable to respond within 30 calendar days of receiving the school's incorrect data challenge, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that Default Management has been informed of the delay.

If a data manager can respond to only a portion of a school's incorrect data challenge allegations within 30 calendar days, it should hold that portion of the response until it can provide a response to all of the school's incorrect data challenge allegations. The data manager should send a letter to the school and Default Management that provides the information outlined above.

Which Department address does a data manager use for submitting a copy of its incorrect data challenge response?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A data manager should not send incorrect data challenge materials to any other addresses at the Department.

Default Management recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the incorrect data challenge response as well as all other electronic and hardcopy documentation submitted as a part of the incorrect data challenge process.

The data manager can use this information when submitting monthly status reports to Default Management. For additional information on monthly status reports, see Chapter 3.2, "Data Manager Strategies."

What does Default Management do with a data manager's incorrect data challenge response?

Default Management reviews data manager responses to schools' incorrect data challenges to ensure that the responses are correct. If Default Management determines that the data manager responses are not correct, Default Management will notify the data manager and the school prior to the release of the official cohort default rates that the data manager's responses were incorrect and will provide the correct responses. Default Management will instruct the data manager to resubmit the corrected data to NSLDS. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated.

What does a school do with a data manager's incorrect data challenge response?

The incorrect data challenge process is considered complete when the data manager responds to the school's incorrect data challenge. However, in those cases where the data manager's response is unclear, incorrect, missing, or incomplete, the school may submit a request to the data manager for clarification. A school must submit the request to the data manager within 15 calendar days of the receipt of the incorrect data challenge response. The school must send a copy of the inquiry letter to Default Management. The data manager should respond to the school's inquiry within 20 calendar days of receiving the inquiry and send a copy of the response to Default Management.

A school cannot appeal a data manager's incorrect data challenge response to Default Management during the draft process

A school cannot appeal a data manager's incorrect data challenge response to Default Management during the draft process. The school should keep the data manager's incorrect data challenge response to review and to compare the response to the school's loan record detail report for the official cohort default rates.

School to Data Manager Incorrect Data Challenge Checklist

Determine

- ☐ Does the loan record detail report for the draft cohort default rates contain inaccurate data? (See page 4.1-1)

Submit to Data Manager

- ☐ Spreadsheet (See page 4.1-5)
- ☐ Relevant Pages of Loan Record Detail Report (See page 4.1-5)
- ☐ Supporting Documentation (See page 4.1-5)
- ☐ Letter (See page 4.1-6)

Data Manager to School Incorrect Data Challenge Checklist

Determine

- ☐ Was the school submission timely? (See page 4.1-7)
- ☐ Does the data manager hold the loans? (See page 4.1-7)
- ☐ Is all the material present? (See page 4.1-8)
- ☐ Does the data manager agree or disagree with the school? (See page 4.1-8)

Response to School

- ☐ Spreadsheet (See page 4.1-10)
- ☐ Supporting Documentation (See page 4.1-10)
- ☐ Letter (See page 4.1-10)

Follow-Up

- ☐ Send copy of response to Default Management (See page 4.1-12)
- ☐ Update NSLDS and internal records (if necessary) (See page 4.1-9)
- ☐ Send monthly status report to Default Management (See page 4.1-12)

Participation Rate Index Challenge

Chapter 4.2

What is a participation rate index challenge? 4.2-1

Which cohort default rate can be used to determine a participation rate index challenge? 4.2-1

Which schools are eligible to submit a participation rate index challenge? 4.2-2

What benefit will a school gain from submitting a participation rate index challenge? 4.2-2

Are participation rate index challenges based on a specific period of time? 4.2-2

How does a school calculate its participation rate index? 4.2-4

Does a school need to wait until the draft cohort default rate is released to prepare its participation rate index challenge? 4.2-6

What roles do the Department and data managers have in a school's participation rate index challenge? 4.2-6

How does a school submit a participation rate index challenge? 4.2-7

Which Department address does a school use for submitting a participation rate index challenge? 4.2-8

What happens after the school submits the participation rate index challenge? 4.2-10

What happens to a school's participation rate index challenge after the release of the official cohort default rates? 4.2-10

Participation Rate Index Challenge

34 CFR 668.185(c)

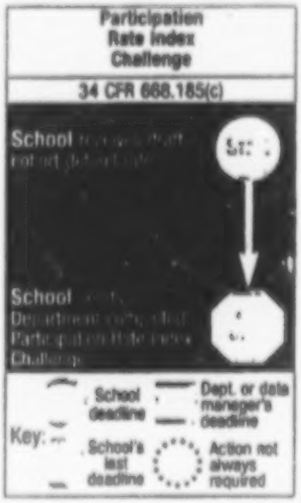
What is a participation rate index challenge?

A school is not subject to a sanction based on its cohort default rates if its participation rate index is 0.0375 or less (for a sanction based on three consecutive cohort default rates of 25.0 percent or greater) or 0.06015 or less (for a sanction based on one cohort default rate over 40.0 percent). In other words, if a school can demonstrate that the number of students who obtain loans is very low in relation to the number of regular students at the school, the school will be able to avoid sanction.

Figure 4.2.1 shows the time frame for submitting a participation rate index challenge.

Figure 4.2.1

Time Frame for Submitting a Participation Rate Index Challenge


Participation Rate Index Challenge
34 CFR 668.185(c)
School
School
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required

Which cohort default rate can be used to determine a participation rate index challenge?

A school can submit a participation rate index challenge for either the most recent draft cohort default rate or for either of the two most recent official cohort default rates, depending on the nature of the anticipated sanction to which the school may be subject. For example, take a sequence of years: This Year, Last Year, and Two Years Ago.

A school's draft cohort default rate for This Year indicates that the school will be subject to sanction after release of the official cohort default rates. If the sanction will be due to three consecutive years of an official cohort default rate that is 25.0 percent or greater, the school can submit a participation rate index challenge based on the draft cohort default rate for This Year, the official cohort default rate for Last Year, and/or the official cohort default rate for Two Years Ago. If the sanction will be due to an official cohort default rate for This Year that is greater than 40.0 percent, the school can submit a participation rate index challenge based on the draft cohort default rate for This Year. Figure 4.2.2 summarizes the cohort default rates a school can use to submit a participation rate index challenge.

Nature of Sanction	This Year	Last Year	Two Years Ago
Three consecutive years of cohort default rates that are 25.0 percent or greater	Yes – Draft Cohort Default Rate	Yes – Official Cohort Default Rate	Yes – Official Cohort Default Rate
Current cohort default rate that is greater than 40.0 percent	Yes – Draft Cohort Default Rate	No	No

Figure 4.2.2

Cohort Default Rates a School Can Use to Submit a Participation Rate Index Challenge

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Which schools are eligible to submit a participation rate index challenge?

Any school, regardless of its draft cohort default rate, can submit a participation rate index challenge. However, only those schools that will be subject to sanction after the release of the official cohort default rates will receive any benefit from submitting a participation rate index challenge.

What benefit will a school gain from submitting a participation rate index challenge?

If a school submits a successful participation rate index challenge for an anticipated sanction, the school is not subject to that sanction when its next official cohort default rate is published. If the school's challenge was based on a prior official cohort default rate, the school will not be subject to a subsequent loss of eligibility based on that official cohort default rate.

Are participation rate index challenges based on a specific period of time?

The school may base the participation rate index challenge on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the participation rate index challenge. Because a school can choose to submit a participation rate index challenge based on its most recent draft cohort default rate or either of its two most recent official cohort default rates, the time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
1998	10/01/1997	04/02/1996 - 10/01/1996	04/01/1997 - 09/30/1997
1999	10/01/1998	04/02/1997 - 10/01/1997	04/01/1998 - 09/30/1998
2000	10/01/1999	04/02/1998 - 10/01/1998	04/01/1999 - 09/30/1999
2001	10/01/2000	04/02/1999 - 10/01/1999	04/01/2000 - 09/30/2000
2002	10/01/2001	04/02/2000 - 10/01/2000	04/01/2001 - 09/30/2001
2003	10/01/2002	04/02/2001 - 10/01/2001	04/01/2002 - 09/30/2002
2004	10/01/2003	04/02/2002 - 10/01/2002	04/01/2003 - 09/30/2003
2005	10/01/2004	04/02/2003 - 10/01/2003	04/01/2004 - 09/30/2004

Figure 4.2.3

Date Ranges for Acceptable 12-Month Periods

Figure 4.2.3 is a chart that can be used to determine an acceptable 12-month period. To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column. Figure 4.2.4 shows an acceptable and some unacceptable 12-month periods for cohort FY 2001.

12-Month Period	Status	Reason
04/02/1999-04/01/2000	Acceptable	Starts within acceptable range; ends 12 months later within acceptable range
04/02/1999-04/02/2000	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/1999-03/31/2000	Unacceptable	Starts and ends outside acceptable range

Figure 4.2.4

Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001

A school can select the most beneficial 12-month period available. In other words, a school can identify the acceptable 12-month period during which it had the lowest percentage of borrowers and use that period when calculating its participation rate index.

If a school selects an unacceptable 12-month period, the U.S. Department of Education's (the Department's) Default Management will not review any portion of the school's participation rate index challenge and the participation rate index challenge will be denied and returned to the school. A school may contact Default Management at 1-202-708-9396 to discuss whether the school has selected an acceptable 12-month period.

How does a school calculate its participation rate index?

After selecting the 12-month period, the school determines the total number of regular students enrolled at least half time and for at least one day during any part of the 12-month period. It is not necessary for the student's entire enrollment period to fall within the 12-month period. The total number of students is the denominator. The school then determines the total number of those students who borrowed a Federal Family Education Loan (FFEL) or William D. Ford Federal Direct Loan (Direct Loan) for a loan period that overlaps any part of the 12-month period. The total number of borrowers is the numerator.

Total borrowers in 12-month period ÷ Total regular students in 12-month period

A regular student is a student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school. To be included in the participation rate index calculation, the borrower must be a student who was enrolled at least half-time and enrolled at least one day during the selected 12-month period.

Once the school has divided the total number of FFEL and Direct Loan borrowers by the total number of regular students, the school multiplies the result by the cohort default rate upon which the school is basing the participation rate index challenge. The result is the participation rate index. A participation rate index is calculated as follows:

(Total borrowers in 12-month period ÷ Total regular students in 12-month period) X School's cohort default rate = Participation Rate Index

If a school has fewer than 30 borrowers who entered repayment in the cohort fiscal year for which the participation rate index is calculated, the participation rate index for that cohort fiscal year may be calculated using either

- the cohort default rate that would result from applying the non-average rate formula or
- the cohort default rate that would result from applying the average rate formula.

See Chapter 2.1, "Calculating Cohort Default Rates," for information on the formulas used to calculate cohort default rates.

To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

For example, School A's draft cohort default rate for the current cohort fiscal year is 25.0 percent. School A's two most recent official cohort default rates were 26.0 percent and 28.0 percent. As a result, if School A's official cohort default rate for this cohort fiscal year is also 25.0 percent, School A will be subject to sanction because it will have three consecutive years of official cohort default rates that are 25.0 percent or greater.

School A decides to base its participation rate index challenge on the draft cohort default rate for the current cohort fiscal year. School A had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of those 200 students, 31 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School A's participation rate index is 0.03875.

$$\left(\underset{\text{borrowers}}{31} \div \underset{\substack{\text{total}\\ \text{students}}}{200}\right) \times \underset{\substack{\text{draft cohort}\\ \text{default rate}}}{25.0\ \text{percent}} = \underset{\substack{\text{participation}\\ \text{rate index}}}{0.03875}$$

Because the participation rate index is greater than 0.0375, School A's participation rate index challenge would be unsuccessful.

As another example, School B's draft cohort default rate is 50.0 percent. School B's two most recent official cohort default rates were 20.0 percent and 31.0 percent. As a result, if School B's official cohort default rate is also 50.0 percent, School B will be subject to sanction because it will have an official cohort default rate that is greater than 40.0 percent.

School B should base its participation rate index challenge on the draft cohort default rate for the current cohort fiscal year. School B had a total of 100 regular students enrolled on at least a half-time basis during any part of the 12-month period relating to the current cohort fiscal year. Of these 100 students, 10 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School B's participation rate index is 0.05.

$$\left(\underset{\text{borrowers}}{10} \div \underset{\substack{\text{total}\\ \text{students}}}{100}\right) \times \underset{\substack{\text{draft cohort}\\ \text{default rate}}}{50.0\ \text{percent}} = \underset{\substack{\text{participation}\\ \text{rate index}}}{0.05}$$

Because the participation rate index is less than 0.06015, School B's participation rate index challenge would be successful.

However, if School B's two most recent official cohort default rates are 25.0 percent and 31.0 percent, School B is also subject to sanction because it will have three consecutive official cohort default rates that are 25.0 percent or greater. In that event, the participation rate index would have to be 0.0375 or less for the participation rate index challenge to be successful.

Does a school need to wait until the draft cohort default rate is released to prepare its participation rate index challenge?

If a school is submitting a participation rate index challenge using a previous cohort fiscal year's official cohort default rate, it can prepare a complete participation rate index challenge before it receives its current year draft cohort default rate.

If a school is submitting a participation rate index challenge using the current cohort fiscal year, it cannot perform the final step in the process (multiplying the participation ratio by the draft cohort default rate) until the school receives its draft cohort default rate. However, a school can perform the initial steps to identify the data to include in the calculation before it receives its draft cohort default rate if it believes its current cohort fiscal year official cohort default rate will incur sanctions. In that way, a school can save time when it receives its draft cohort default rate.

What roles do the Department and data managers have in a school's participation rate index challenge?

Schools submit participation rate index challenges directly to Default Management for review and consideration. Default Management is responsible for determining whether schools meet the established participation rate index criteria. Therefore, there is no role for data managers.

If a school submits a participation rate index challenge to the wrong entity or address, the participation rate index challenge might not be reviewed and the school could miss the deadline for submitting the participation rate index challenge to Default Management.

If a data manager receives a participation rate index challenge from a school, it should immediately contact the school to inform it that the participation rate index challenge must be sent to Default Management. The data manager should also indicate that the participation rate index challenge must be sent to Default Management within the initial 45-calendar-day time frame. The data manager should then notify Default Management that the data manager has contacted the school.

How does a school submit a participation rate index challenge?

Timing is critical when submitting a participation rate index challenge. A school must send its participation rate index challenge to Default Management within 45 calendar days of receiving its hard-copy loan record detail report for the draft cohort default rates.

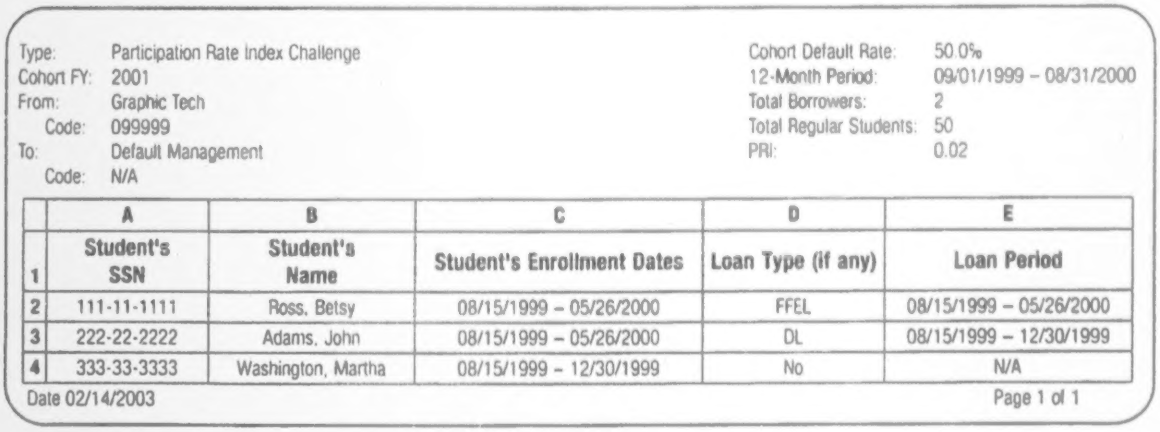
The participation rate index challenge must include the following items:

- A participation rate index challenge spreadsheet.

  Figure 4.2.5 is a sample participation rate index challenge spreadsheet. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.2.5

Sample School Participation Rate Index Challenge Spreadsheet to Default Management



Type: Participation Rate Index Challenge
Cohort FY: 2001
From: Graphic Tech
Code: 099999
To: Default Management
Code: N/A

Cohort Default Rate: 50.0%
12-Month Period: 09/01/1999 – 08/31/2000
Total Borrowers: 2
Total Regular Students: 50
PRI: 0.02

	A	B	C	D	E
1	**Student's SSN**	**Student's Name**	**Student's Enrollment Dates**	**Loan Type (if any)**	**Loan Period**
2	111-11-1111	Ross, Betsy	08/15/1999 – 05/26/2000	FFEL	08/15/1999 – 05/26/2000
3	222-22-2222	Adams, John	08/15/1999 – 05/26/2000	DL	08/15/1999 – 12/30/1999
4	333-33-3333	Washington, Martha	08/15/1999 – 12/30/1999	No	N/A

Date 02/14/2003

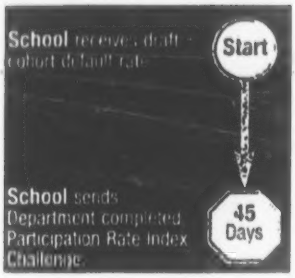
Page 1 of 1

Using the information on the spreadsheet and the participation rate index formula, a school must calculate its participation rate index. As mentioned, to avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less. If both sanctions apply, the participation rate index must be 0.0375 or less.

If a school does not have any students who received FFELs or Direct Loans with loan periods that overlapped any part of the selected 12-month period, the school does not have to submit a spreadsheet to Default Management. However, the school must send Default Management a letter that identifies the 12-month period and indicates that the school did not have any students who received loans with loan periods that overlapped the 12-month period.

- A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is submitting a participation rate index challenge, the relevant cohort default rate on which the challenge is based, and a certification that the information provided is true and correct under penalty of perjury. The school must also note its participation rate index and the 12-month period the school selected. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the challenge] Participation Rate Index Challenge." The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.2.6 is a sample participation rate index challenge letter.


School receives draft cohort default rate
Start
School sends Department completed Participation Rate Index Challenge.
45 Days

Schools are not required to submit an independent auditor's attestation to support the school's participation rate index challenge.

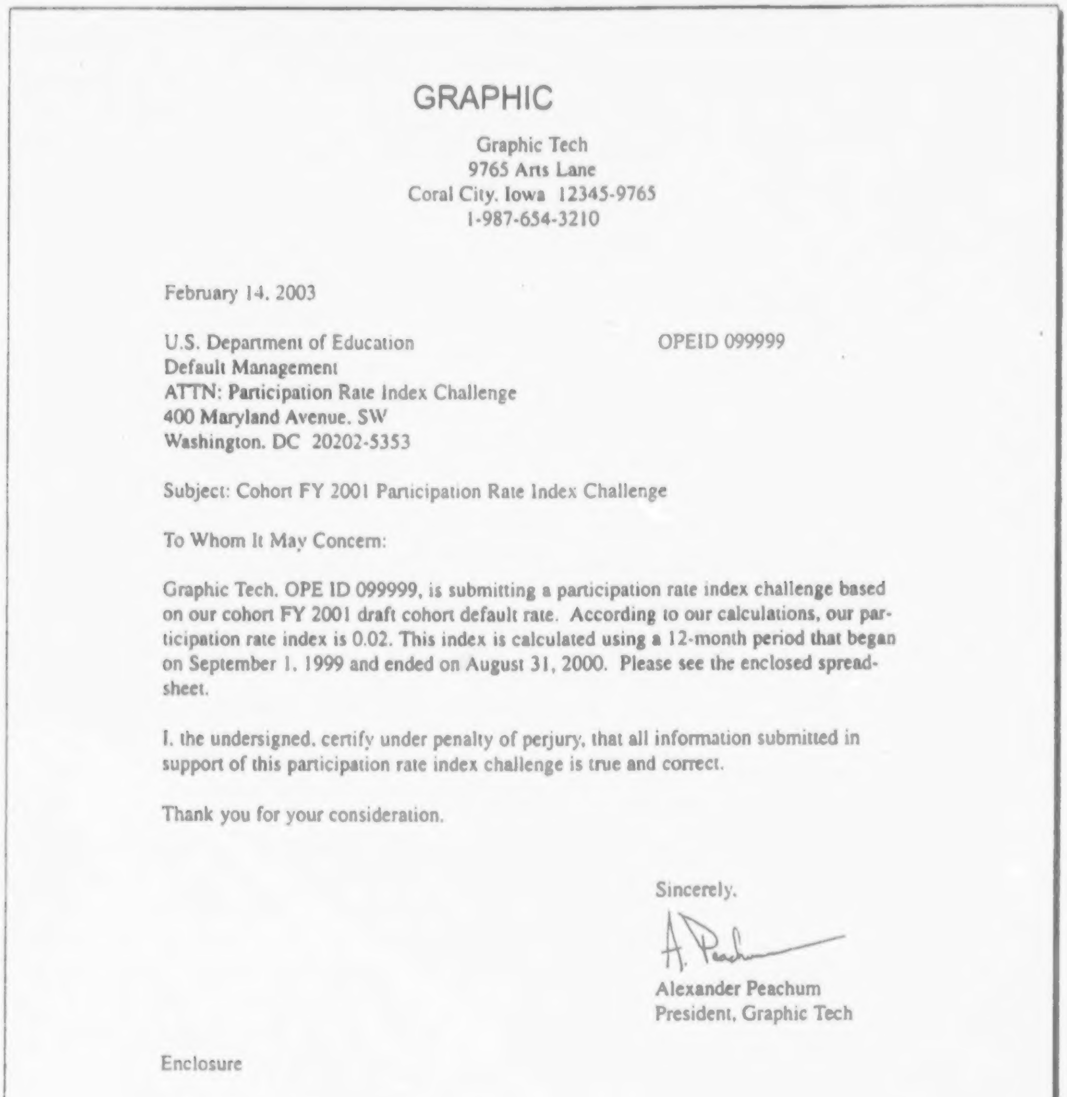
If a school is submitting a participation rate index challenge for multiple cohort default rates, it should submit all the participation rate index challenges in the same mailing to Default Management. However, the school still needs to submit separate documentation for each participation rate index challenge.

Which Department address does a school use for submitting a participation rate index challenge?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send participation rate index challenge materials to any other addresses at the Department.

Default Management recommends that a school send all participation rate index challenge correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the participation rate index challenge as well as all electronic and hardcopy documentation submitted as a part of the participation rate index challenge process. If a school does not meet the 45-calendar-day time frame for submitting a participation rate index challenge, the participation rate index challenge will not be reviewed.

Figure 4.2.6 - Sample School Participation Rate Index Challenge Letter to Default Management



GRAPHIC

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

February 14, 2003

U.S. Department of Education
Default Management
ATTN: Participation Rate Index Challenge
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPEID 099999

Subject: Cohort FY 2001 Participation Rate Index Challenge

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a participation rate index challenge based on our cohort FY 2001 draft cohort default rate. According to our calculations, our participation rate index is 0.02. This index is calculated using a 12-month period that began on September 1, 1999 and ended on August 31, 2000. Please see the enclosed spreadsheet.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of this participation rate index challenge is true and correct.

Thank you for your consideration.

Sincerely,

A. Peachum

Alexander Peachum
President, Graphic Tech

Enclosure

What happens after the school submits the participation rate index challenge?

Default Management will review, using the standard of review described in 34 CFR 668.185(c), only the information submitted with the participation rate index challenge and will not review information submitted after the 45-calendar-day deadline. Default Management will send the school written notification of Default Management's decision before the official cohort default rates are published. Default Management's decision is final and no further administrative review is provided.

If a school's participation rate index challenge is successful, the school is not subject to sanction when its next official cohort default rate is published. In addition, if a school's participation rate index challenge is based on a prior official cohort default rate, the school is not subject to any subsequent sanction based on that official cohort default rate. However, a successful participation rate index challenge based on a school's most recent draft cohort default rate does not excuse the school from any subsequent sanction.

What happens to a school's participation rate index challenge after the release of the official cohort default rates?

After the release of the official cohort default rates, Default Management will recalculate the school's participation rate index challenge based on the school's official cohort default rate. If the school meets the requirements for a successful participation rate index appeal, the school will not be subject to sanction regardless of the success of its participation rate index challenge. If the school's recalculated participation rate index is 0.0375 or less, the school will not be subject to a subsequent sanction based on that official cohort default rate.

School to Default Management Participation Rate Index Challenge Checklist

Determine
- ☐ Will the school be subject to sanction after the release of the official cohort default rates? (See page 4.2-2)
- ☐ What is the school's participation rate index? (See page 4.2-4)

Submit to Default Management
- ☐ Spreadsheet (See page 4.2-7)
- ☐ Letter (See page 4.2-8)

Uncorrected Data Adjustment

Chapter 4.3

What is an uncorrected data adjustment? 4.3-1

Which schools are eligible to submit an uncorrected data adjustment? 4.3-2

What benefit will a school gain from submitting an uncorrected data adjustment? 4.3-2

What roles do data managers have in a school's uncorrected data adjustment? 4.3-2

How does a school submit an uncorrected data adjustment? 4.3-3

Which Department address does a school use for submitting an uncorrected data adjustment? 4.3-6

What happens after the school submits the uncorrected data adjustment? 4.3-6

Uncorrected Data Adjustment

34 CFR 668.190

What is an uncorrected data adjustment?

An uncorrected data adjustment is a request submitted to the U.S. Department of Education's (the Department's) Default Management to ensure that a school's official cohort default rate calculation reflects changes that were correctly agreed to as a result of an incorrect data challenge that the school submitted after the release of the draft cohort default rates.

A school should submit an uncorrected data adjustment when

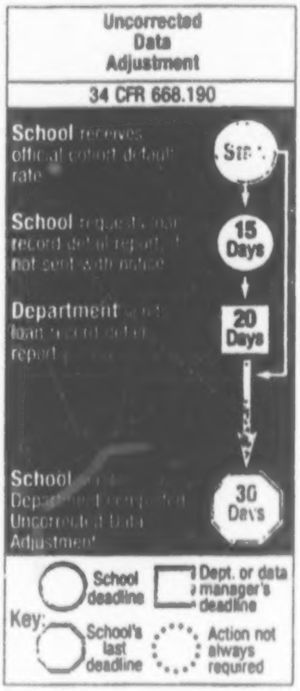
- it submitted a timely challenge of its draft cohort default rate data,
- the data manager reviewing the incorrect data challenge agreed to make changes to the cohort default rate data, and
- the agreed upon changes are not reflected in the school's loan record detail report for the official cohort default rates.

If a school does not submit an uncorrected data adjustment after the release of the official cohort default rates, the school will not have the opportunity to submit an uncorrected data adjustment at a later time.

Figure 4.3.1 shows the time frame for submitting an uncorrected data adjustment.

Figure 4.3.1

Time Frame for Submitting an Uncorrected Data Adjustment


Uncorrected Data Adjustment
34 CFR 668.190
School receives official cohort default rate
Start
School requests loan record detail report, if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends Department completed Uncorrected Data Adjustment
30 Days
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required

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Which schools are eligible to submit an uncorrected data adjustment?

Any school that receives an official cohort default rate may request that Default Management adjust its cohort default rate. This includes schools that are not subject to sanction and schools that have withdrawn from the Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) programs. A school can only request an adjustment of its most recent official cohort default rate.

What benefit will a school gain from submitting an uncorrected data adjustment?

If, as a result of an uncorrected data adjustment (or as the result of a school's submission of any adjustment or appeal), Default Management determines that a school's official cohort default rate calculation data is incorrect, Default Management will recalculate the cohort default rate using the corrected data. This may lower, raise, or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though Default Management may revise a cohort default rate, subsequent copies of the loan record detail report for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of Default Management's final determination letter as the official record of the school's revised cohort default rate.

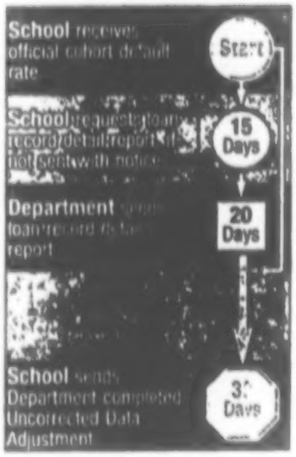
What roles do data managers have in a school's uncorrected data adjustment?

Schools submit uncorrected data adjustments directly to Default Management for review and consideration. However, a school is required to send a copy of its uncorrected data adjustment to the data manager associated with the uncorrected data.

If Default Management notifies a data manager that a school's uncorrected data adjustment was successful, the data manager must correct the data both in the data manager's internal system and in the National Student Loan Data System (NSLDS). Before the release of the draft cohort default rates, the data manager must ensure that the changes are successfully loaded into NSLDS.

If a school submits an uncorrected data adjustment to the wrong entity or address, the uncorrected data adjustment will not be reviewed and the school could miss the deadline for submitting the uncorrected data adjustment.

If a data manager receives an uncorrected data adjustment from a school, the data manager should immediately contact the school to inform it that the uncorrected data adjustment must be sent to Default Management. The data manager should also indicate that the request must be sent to Default Management within 30 calendar days of the school receiving its loan record detail report for the official cohort default rates. The data manager should then notify Default Management that the data manager has contacted the school.


School receives official cohort default rate
Start
School requests loan record detail report if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends Department completed Uncorrected Data Adjustment
30 Days

How does a school submit an uncorrected data adjustment?

Timing is critical when submitting an uncorrected data adjustment. A school must send its uncorrected data adjustment to Default Management within 30 calendar days of receiving the loan record detail report for the official cohort default rates.

If a school does not receive a loan record detail report for the official cohort default rates, and the school believes it might have grounds for an uncorrected data adjustment, it must request the loan record detail report for the official cohort default rates within 15 calendar days of receiving the official cohort default rate notification letter. See Chapter 2.3, "Loan Record Detail Report," for information on requesting a loan record detail report for the official cohort default rates.

If a school believes the loan record detail report for the official cohort default rates contains uncorrected data, it should submit an uncorrected data adjustment to Default Management. If a school submits an uncorrected data adjustment to the wrong entity, the adjustment will not be reviewed and the school could miss the deadline for submitting the uncorrected data adjustment to Default Management.

Upon receiving the loan record detail report for the official cohort default rates, a school should compare the loan record detail report for the draft cohort default rates to the loan record detail report for the official cohort default rates and the data manager's response to the school's incorrect data challenge to determine if agreed upon changes have been made. If the school believes the loan record detail report for the official cohort default rates contains uncorrected data, it should submit an uncorrected data adjustment. The school must do so within 30 calendar days of receipt of the loan record detail report for the official cohort default rates.

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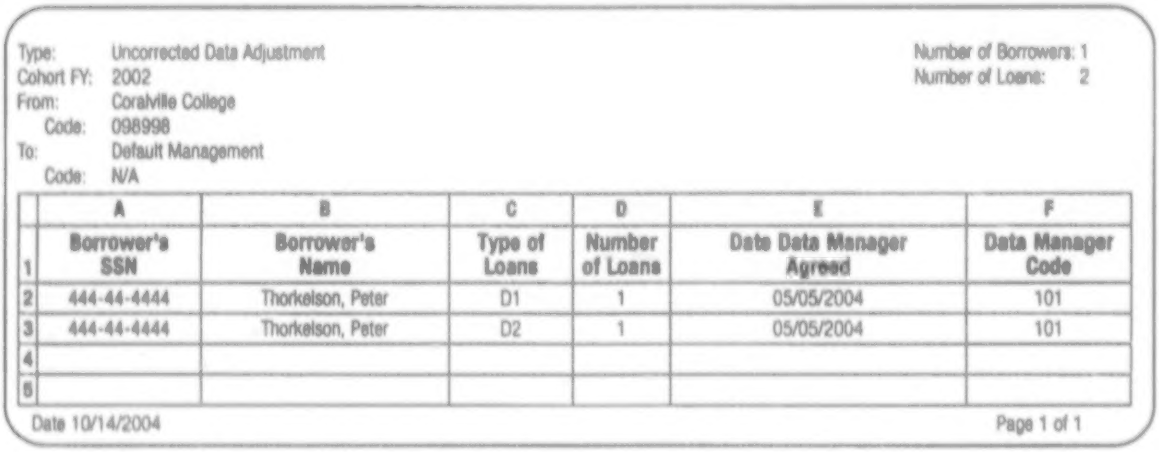
The uncorrected data adjustment must include the following items:

- A completed uncorrected data adjustment spreadsheet that lists the uncorrected data that the data manager agreed to change in its incorrect data challenge response but is not reflected in the loan record detail report for the official cohort default rates.

  Figure 4.3.2 is a sample uncorrected data adjustment spreadsheet. Instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools"section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."



Sample School
Uncorrected Data
Adjustment Spreadsheet
to Default Management

Type: Uncorrected Data Adjustment
Cohort FY: 2002
From: Coralville College
Code: 098998
To: Default Management
Code: N/A

Number of Borrowers: 1
Number of Loans: 2

	A	B	C	D	E	F
1	**Borrower's SSN**	**Borrower's Name**	**Type of Loans**	**Number of Loans**	**Date Data Manager Agreed**	**Data Manager Code**
2	444-44-4444	Thorkelson, Peter	D1	1	05/05/2004	101
3	444-44-4444	Thorkelson, Peter	D2	1	05/05/2004	101
4						
5						

Date 10/14/2004

Page 1 of 1

- A copy of the data manager's response to the school's incorrect data challenge.

  The school should include copies of the incorrect data challenge responses the school received after the release of the draft cohort default rates from the relevant data managers that show that the data managers agreed to the changes.

- A letter on the school's letterhead.

  Figure 4.3.3 is a sample uncorrected data adjustment letter. The letter must include the school's OPE ID number and a statement indicating that the school is submitting an uncorrected data adjustment for the current cohort fiscal year. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year used in the adjustment] Uncorrected Data Adjustment." The school must also note if it is submitting any other adjustments or appeals. The letter must include a certification that the information provided is true and correct under penalty of perjury. The letter must also include a notation that

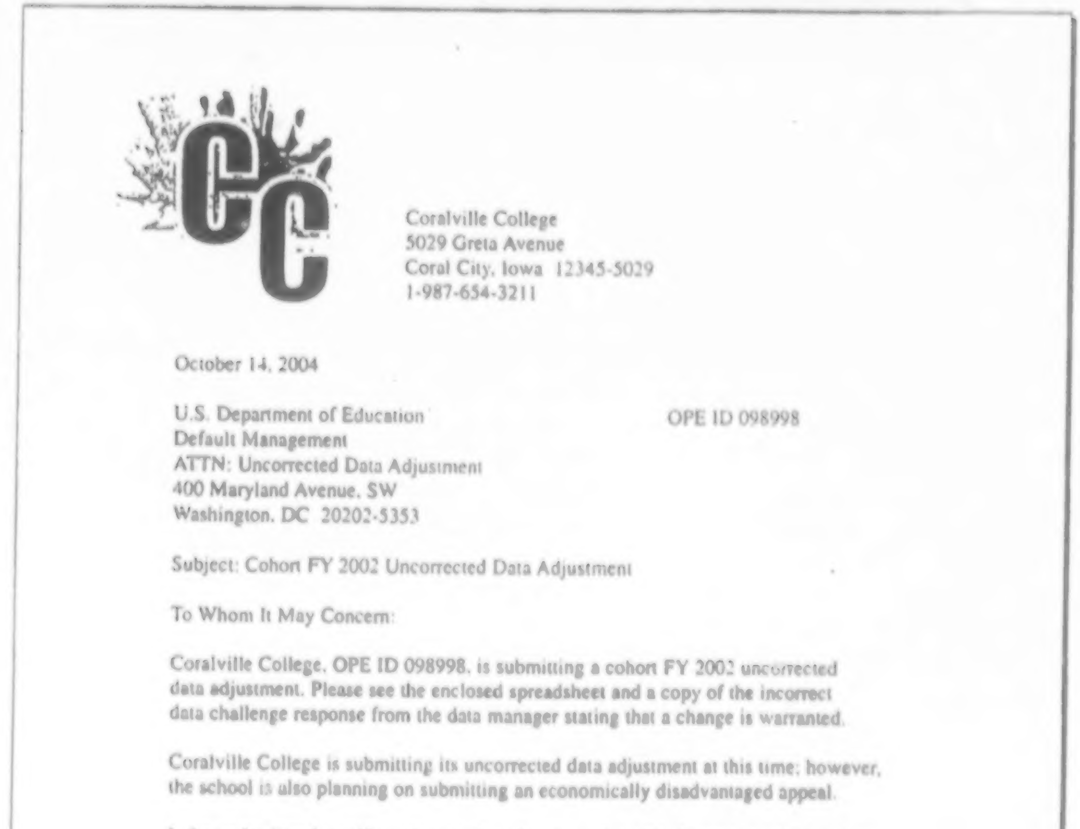


Figure 4.3.3 - Sample School Uncorrected Data Adjustment Letter to Default Management

Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029
1-987-654-3211

October 14, 2004

U.S. Department of Education
Default Management
ATTN: Uncorrected Data Adjustment
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2002 Uncorrected Data Adjustment

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting a cohort FY 2002 uncorrected data adjustment. Please see the enclosed spreadsheet and a copy of the incorrect data challenge response from the data manager stating that a change is warranted.

Coralville College is submitting its uncorrected data adjustment at this time; however, the school is also planning on submitting an economically disadvantaged appeal.

I, the undersigned, certify under penalty of perjury, that all information submitted in support of this uncorrected data adjustment is true and correct.

Thank you for your consideration.

Sincerely,

Serena Rooney

Serena Rooney
President, Coralville College

Enclosures

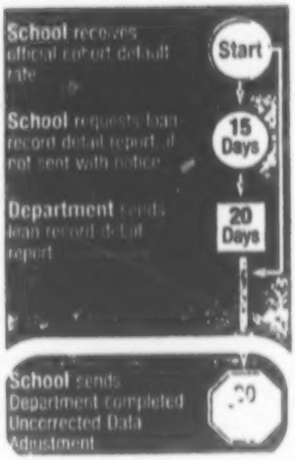
cc: Direct Loan Servicer

the school is sending a copy of the letter and the spreadsheet to the relevant data managers. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

If the school does not submit the uncorrected data adjustment in a timely manner, Default Management will not review the uncorrected data adjustment and will return all uncorrected data adjustment materials to the school.

Which Department address does a school use for submitting an uncorrected data adjustment?

See the section entitled, "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send uncorrected data adjustment materials to any other addresses at the Department.


School receives official cohort default rate
Start
School requests loan record detail report, if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends Department completed Uncorrected Data Adjustment
30

Default Management recommends that a school send all uncorrected data adjustment correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its uncorrected data adjustment. A school should maintain the documentation that verifies the receipt of the uncorrected data adjustment as well as all the electronic and hardcopy documentation submitted as a part of the uncorrected data adjustment process. If a school does not meet the 30-calendar-day time frame for submitting an uncorrected data adjustment, the uncorrected data adjustment will not be reviewed.

What happens after the school submits the uncorrected data adjustment?

Default Management will review only the information submitted with the uncorrected data adjustment and will not review information submitted after the deadline. Default Management will send the school and each involved data manager written notification of Default Management's decision. Default Management's decision is final and no further administrative review is provided.

Default Management is responsible for determining whether a data manager correctly agreed to make a change to a school's cohort default rate data during the incorrect data challenge process and whether the change is reflected in the loan record detail report for the official cohort default rates. If Default Management so determines using the standard of review described in 34 CFR 668.189(f), Default Management will recalculate the school's cohort default rate based on the correct data.

If the school was notified that it was subject to sanction and the uncorrected data adjustment is successful and the revised cohort default rate is below the sanction level, Default Management will withdraw that sanction notice. If the school was notified that it was subject to sanction and the uncorrected data adjustment is unsuccessful or if the uncorrected data adjustment is successful but the revised cohort default rate remains above the sanction level, and the school has no other outstanding appeals and adjustments, Default Management will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

School to Default Management Uncorrected Data Adjustment Checklist

Determine

☐ Does the loan record detail report for the official cohort default rates contain data that a data manager agreed to correct? (See page 4.3-1)

Submit to Default Management

☐ Spreadsheet (See page 4.3-4)
☐ Copy of Data Manager Incorrect Data Challenge Response (See page 4.3-4)
☐ Letter (See page 4.3-4)

New Data Adjustment

Chapter 4.4

What is a new data adjustment? 4.4-1
What is new data? 4.4-1
What if the new data is correct? 4.4-1
Which schools are eligible to submit a new data adjustment? 4.4-2
What benefit will a school gain from submitting a new data adjustment? 4.4-3
What roles do the Department and data managers have in a school's new data adjustment? 4.4-3
How does a school submit new data adjustment allegations to a data manager? 4.4-4
How does a school identify the data manager of a loan? 4.4-8
How does a data manager respond to a school's new data adjustment allegations? 4.4-8
Which Department address does a data manager use for submitting a copy of its new data adjustment allegations response? 4.4-12
What does a school do with the data manager's new data adjustment allegations response? 4.4-14
Which Department address does a school use for submitting a new data adjustment? 4.4-16
What happens after the school submits the new data adjustment? 4.4-16

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New Data Adjustment

34 CFR 668.191

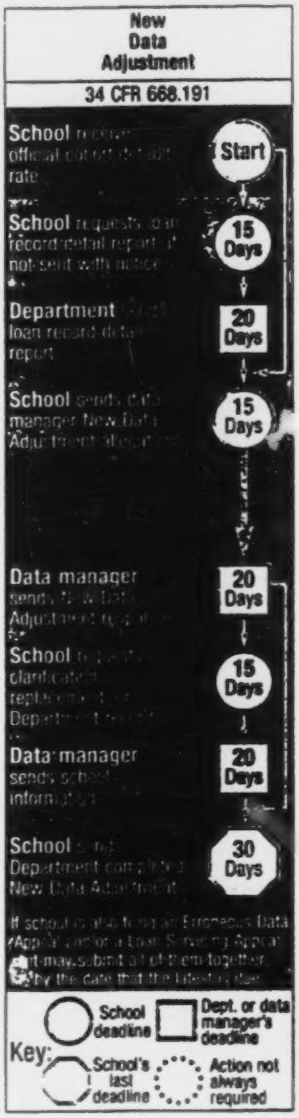
What is a new data adjustment?

A new data adjustment allows a school to challenge the accuracy of "new data" included in the school's most recent official cohort default rate.

Figure 4.4.1 shows the time frame for submitting a new data adjustment.

Figure 4.4.1

Time Frame for Submitting a New Data Adjustment


New Data Adjustment
34 CFR 668.191
School receives official cohort default rate
Start
School requests loan record detail report if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends data manager New Data Adjustment allegations
15 Days
Data manager sends New Data Adjustment response
20 Days
School
15 Days
Data manager sends school information
20 Days
School sends Department completed New Data Adjustment
30 Days
If school is also filing an Erroneous Data Appeal and/or a Loan Servicing Appeal, it may submit all of them together by the date that the latest is due
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required

What is new data?

New data occurs when loan data reported to the National Student Loan Data System (NSLDS) changes during the period between the calculation of the draft and official cohort default rates. NSLDS is continuously provided with new or updated information. Because the draft cohort default rates are calculated approximately six months before the official cohort default rates are calculated, the data used to calculate the draft cohort default rates may be different from the data used to calculate the official cohort default rates.

New data can be identified by comparing the loan record detail reports for the draft and official cohort default rates for the same cohort fiscal year and determining if any loan data is newly included, excluded, or changed in any manner. The school should then determine if the new data results in the loan data being reported incorrectly.

The following are examples of new data:

- A loan is included in a school's draft cohort default rate calculation but is not included in its official cohort default rate calculation.
- A loan is included in a school's draft cohort default rate calculation as a non-defaulted loan but is included in its official cohort default rate calculation as a defaulted loan.

What if the new data is correct?

If the new data in the loan record detail report for the official cohort default rates is correct, a school cannot submit a new data adjustment. A school can only submit a new data adjustment when the new data is incorrect. Therefore, for the purposes of the remainder of this chapter, any mention of "new data" refers to "new incorrect data."

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Which schools are eligible to submit a new data adjustment?

Any school that receives an official cohort default rate may request that the U.S. Department of Education's (the Department's) Default Management adjust its cohort default rate. This includes schools that are not subject to sanction and schools that have withdrawn from the Federal Family Education Loan (FFEL) and/or William D. Ford Federal Direct Loan (Direct Loan) programs. A school can only request an adjustment of its most recent official cohort default rate.

A school that is subject to sanction should not submit a new data adjustment

The school begins the process by asking the data manager responsible for the loan to review the school's new data adjustment allegations. If the data manager agrees with the school's new data adjustment allegations, the school then submits a new data adjustment to Default Management. However, if the data manager does not agree with the school, the school may not submit a new data adjustment to Default Management.

A school that is subject to sanction should not submit a new data adjustment. Rather, a school subject to sanction should submit an erroneous data appeal because the school can appeal a data manager's adverse ruling on an erroneous data appeal to Default Management. For more information on erroneous data appeals, see Chapter 4.5, "Erroneous Data Appeal."

A school should submit a new data adjustment if

- a loan on the loan record detail report for the official cohort default rates is newly included, excluded, or changed in some manner when compared to the loan record detail report for the draft cohort default rates, and
- the school believes the loan is being incorrectly used in the official cohort default rate calculation.

If the loan data is reported in the same manner in the loan record detail report for the draft and official cohort default rates, the school may not submit a new data adjustment.

If a school does not submit a new data adjustment after the release of the official cohort default rates, the school will not have the opportunity to submit a new data adjustment at a later time.

What benefit will a school gain from submitting a new data adjustment?

If, as a result of a new data adjustment (or as the result of a school's submission of any adjustment or appeal), Default Management determines that a school's official cohort default rate calculation data is incorrect, Default Management will recalculate the cohort default rate using the corrected data. This may lower, raise, or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though Default Management may revise a cohort default rate, subsequent copies of the loan record detail report for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of Default Management's final determination letter as the official record of the school's revised cohort default rate.

What roles do the Department and data managers have in a school's new data adjustment?

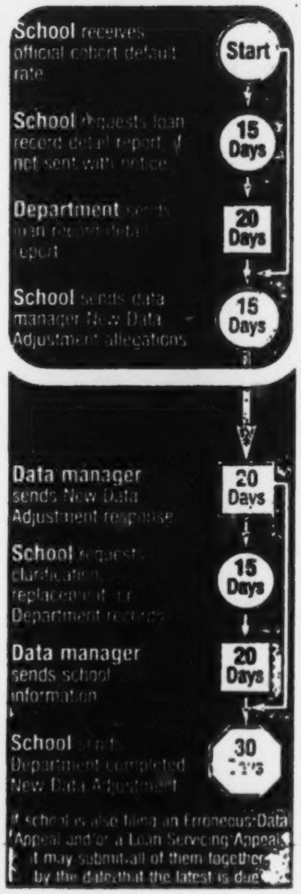
A data manager is required to review a school's new data adjustment allegations if the new data adjustment allegations are submitted in a timely manner and the data manager has responsibility for the loans. If a school submits new data adjustment allegations to the wrong entity, the new data adjustment allegations will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the loan record detail report identifies the data manager for a loan. See Chapter 2.3, "Loan Record Detail Report," for information on determining the data manager for a loan.

The data manager must respond to the school's new data adjustment allegations within 20 calendar days of receipt. However, the data manager must not review new data adjustment allegations if the school did not send the new data adjustment allegations within the 15-calendar-day time frame. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

The Department has two roles in the new data adjustment process. The primary role is to review a school's new data adjustment, which is submitted to Default Management once the school has received confirmation from the data manager that a change to the data is warranted. If the data manager indicates that a change is not warranted, the school cannot submit those new data adjustment allegations to Default Management as a part of a new data adjustment. If Default Management determines that the data manager correctly agreed that changes are warranted to the new data identified by the school, Default Management will recalculate the school's cohort default rate based on the correct data and notify the school.

The Department's other role is to respond to a school's new data adjustment allegations if the Department is the data manager for the loans. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

Default Management is responsible for responding to a school's new data adjustment allegations for FFELs that the Department holds. These loans are primarily identified in the loan record detail report with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" section of Chapter 2.6, "General Information Tools," for a listing of other codes that identify the Department as the holder of a loan.


School receives official cohort default rate
Start
School requests loan record detail report, if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends data manager New Data Adjustment allegations
15 Days
Data manager sends New Data Adjustment response
20 Days
School requests clarification, replacement, or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed New Data Adjustment
30 Days
If school is also filing an Erroneous Data Appeal and/or a Loan Servicing Appeal, it may submit all of them together by the date that the latest is due

The Department's Direct Loan servicer is responsible for responding to a school's new data adjustment allegations regarding all Direct Loans, even those that are in default. These loans are identified in the loan record detail report with a guarantor/servicer code of 0101.

How does a school submit new data adjustment allegations to a data manager?

Timing is critical when submitting a new data adjustment. A school begins the process by submitting new data adjustment allegations to the data manager responsible for a loan within 15 calendar days of receiving the loan record detail report for the official cohort default rates. Chapter 3.1, "School Strategies," outlines a method a school can follow to determine if the loan record detail report contains inaccurate data. The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," lists examples of new data adjustment allegations a school may submit as a part of a new data adjustment.

If a school does not receive a loan record detail report for the official cohort default rates, and the school believes it may have grounds for a new data adjustment, it must request the loan record detail report for the official cohort default rates within 15 calendar days of receiving the official cohort default rate notification letter. See Chapter 2.3, "Loan Record Detail Report," for information on requesting a loan record detail report for the official cohort default rates.

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Upon receiving the loan record detail report for the official cohort default rates, a school should compare the loan record detail reports for the draft and official cohort default rates to determine if any loan data has changed between the loan record detail reports and, if so, whether the changes result in the loan being reported incorrectly. If the school believes the loan record detail report for the official cohort default rates contains new and inaccurate data, it should submit a new data adjustment.

As mentioned, a school that is subject to sanction should not submit a new data adjustment. Rather, a school subject to sanction should submit an erroneous data appeal because the school can appeal a data manager's adverse ruling on an erroneous data appeal to Default Management.

A school must list separate new data adjustment allegations for each loan record that the school believes contains new data. If one data manager is responsible for all the loans, the school must list all the allegations in one submission. However, if there are multiple data managers involved, the school must submit separate new data adjustment allegations to each data manager. For example, a school believes the loan record detail report contains three loans with new data. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate new data adjustment allegations packages, one for each data manager, listing only the loans held by each data manager.

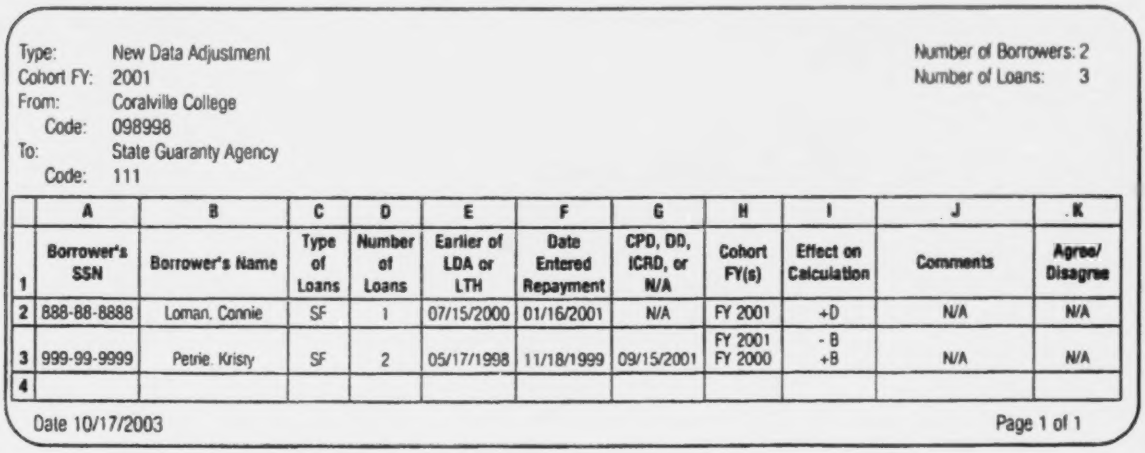
The materials must include the following items:

- A new data adjustment allegations spreadsheet that lists the new data reflected on the loan record detail report.

  Figure 4.4.2 is a sample school new data adjustment allegations spreadsheet to a data manager. Instructions for creating and

Figure 4.4.2

Sample School New Data Adjustment Allegations Spreadsheet to Data Manager



Type: New Data Adjustment
Cohort FY: 2001
From: Coralville College
Code: 098998
To: State Guaranty Agency
Code: 111

Number of Borrowers: 2
Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	.K
1	**Borrower's SSN**	**Borrower's Name**	**Type of Loans**	**Number of Loans**	**Earlier of LDA or LTH**	**Date Entered Repayment**	**CPD, DD, ICRD, or N/A**	**Cohort FY(s)**	**Effect on Calculation**	**Comments**	**Agree/ Disagree**
2	888-88-8888	Loman. Connie	SF	1	07/15/2000	01/16/2001	N/A	FY 2001	+D	N/A	N/A
3	999-99-9999	Petrie. Kristy	SF	2	05/17/1998	11/18/1999	09/15/2001	FY 2001 FY 2000	- B +B	N/A	N/A
4											

Date 10/17/2003

Page 1 of 1

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completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

- Copies of the appropriate pages from the relevant loan record detail report(s) to demonstrate that the loans are new data.

  The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," lists examples of the loan record detail report pages a school should submit as a part of a new data adjustment.

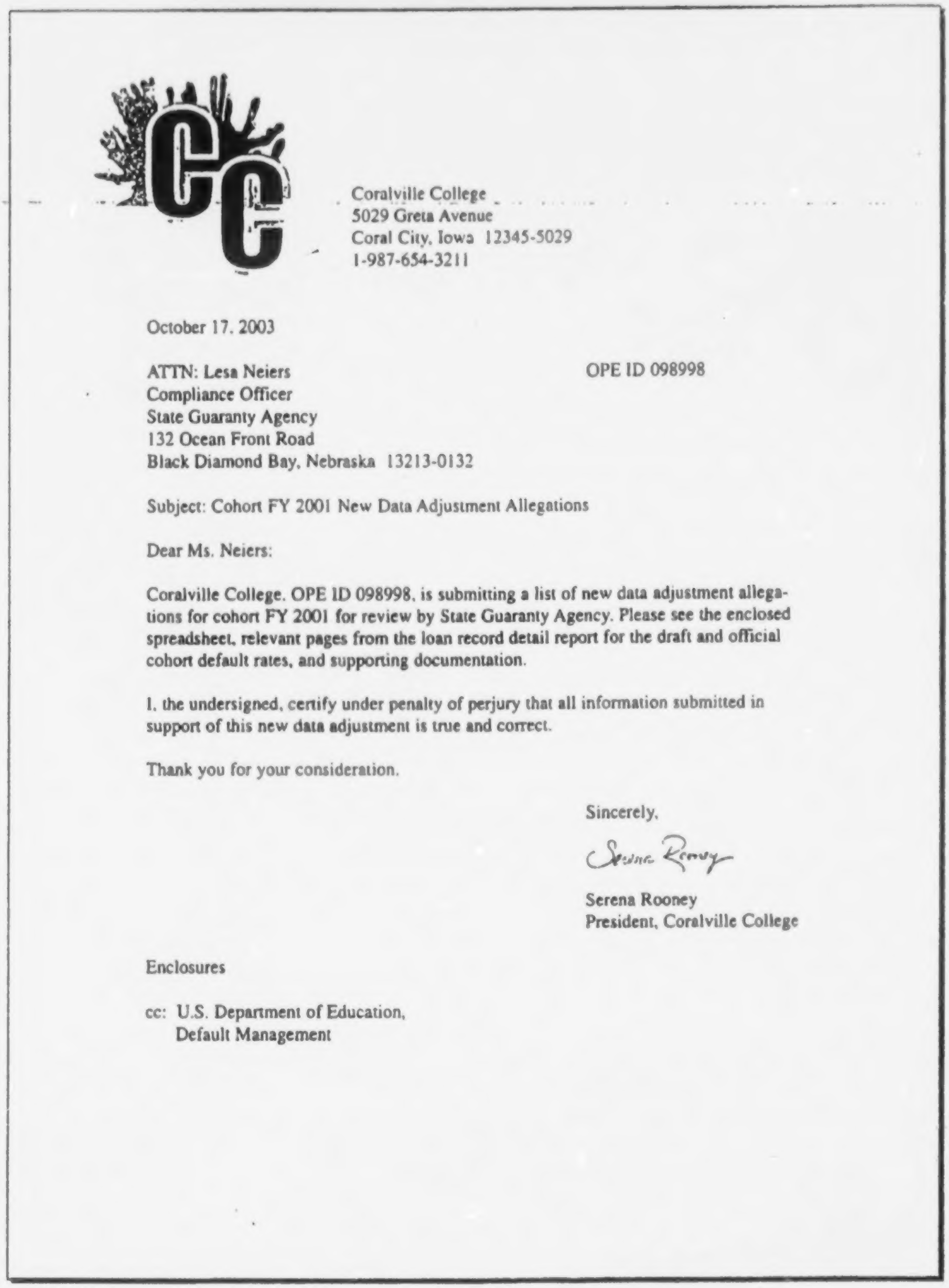
- Copies of relevant supporting documentation.

  The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," contains examples of the type of supporting documentation a school must submit to support a new data adjustment allegation.

- A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is submitting new data adjustment allegations, and the cohort fiscal year to which the new data adjustment allegations apply. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the new data adjustment] New Data Adjustment Allegations." The letter must also include a certification sentence that the information provided is true and correct under penalty of perjury and a notation that the school is sending a copy of the letter and the spreadsheet to Default Management. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.4.3 is a sample school new data adjustment allegations letter to a data manager.

Figure 4.4.3 - Sample School New Data Adjustment Allegations Letter to Data Manager



Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029
1-987-654-3211

October 17, 2003

ATTN: Lesa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

OPE ID 098998

Subject: Cohort FY 2001 New Data Adjustment Allegations

Dear Ms. Neiers:

Coralville College, OPE ID 098998, is submitting a list of new data adjustment allegations for cohort FY 2001 for review by State Guaranty Agency. Please see the enclosed spreadsheet, relevant pages from the loan record detail report for the draft and official cohort default rates, and supporting documentation.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this new data adjustment is true and correct.

Thank you for your consideration.

Sincerely,

Serena Rooney

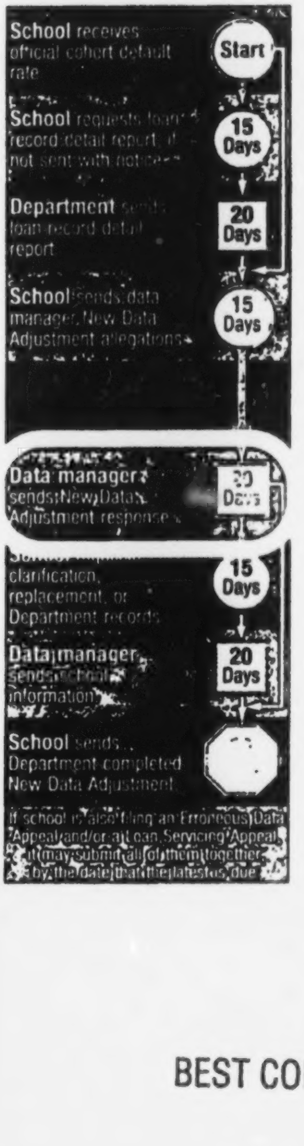
Serena Rooney
President, Coralville College

Enclosures

cc: U.S. Department of Education,
Default Management

The school must send a copy of the letter and the new data adjustment allegations spreadsheet to Default Management at the same time it sends the new data adjustment allegations package to the data manager. The school does not need to send the pages of the loan record detail reports or the relevant supporting documentation to Default Management at that time unless the school is making new data adjustment allegations about a FFEL that the Department holds.

Default Management recommends that a school send all new data adjustment correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation which verifies the receipt of the materials as well as all electronic and hardcopy documentation submitted as a part of the new data adjustment process. If a school does not meet the 15-calendar-day time frame for submitting new data adjustment allegations, the new data adjustment allegations will not be reviewed.


School receives official cohort default rate
Start
School requests loan record detail report, if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends data manager New Data Adjustment allegations
15 Days
Data manager sends New Data Adjustment response
30 Days
clarification, replacement, or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed New Data Adjustment
If school is also filing an Erroneous Data Appeal and/or a Loan Servicing Appeal, it may submit all of them together by the date that the latest is due

How does a school identify the data manager of a loan?

The guarantor/servicer code on the loan record detail report shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See the "Numerical Data Manager Contacts" section in Chapter 2.6, "General Information Tools," for a listing of data manager codes and addresses.

How does a data manager respond to a school's new data adjustment allegations?

Timing is critical when responding to a school's new data adjustment allegations. A data manager is required to respond to a school's timely submitted new data adjustment allegations for those loans for which the entity is the data manager and send a copy of the response to Default Management. However, the data manager must not review new data adjustment allegations if the 15-calendar-day time frame for a school to submit new data adjustment allegations has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its new data adjustment allegations to the data manager no later than the next federal business day.

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Before denying a school's new data adjustment allegations on the basis of a late submission, a data manager should verify the actual date the school received its hardcopy loan record detail report for the official cohort default rates from Default Management. If the school did not submit the new data adjustment allegations in a timely manner, the data manager must not review any part of the submission. In its response to the school, the data manager should explain that it is unable to review the new data adjustment allegations because the school missed the regulatory deadline. The data manager must also send a copy of the response to Default Management.

The data manager must respond to timely submitted new data adjustment allegations within 20 calendar days of receiving the submission. In its new data adjustment allegations response, the data manager will address each of the school's timely submitted new data adjustment allegations. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

If the new data adjustment submission is timely, a data manager must review each new data adjustment allegation submitted by the school. The data manager should determine the following:

- The data manager should determine if the new data adjustment allegations presented by the school are based on loans that the data manager currently holds.

  If the data manager does not hold the loans, the data manager should notify the school and Default Management that the new data adjustment allegations must be submitted to the appropriate data manager and remind the school that the new data adjustment allegations must be submitted to the appropriate data manager within 15 calendar days of the school's receipt of its loan record detail report for the official cohort default rates.

  There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the loan record detail report for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and Default Management a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after receipt of the letter from the data manager to submit the new data adjustment allegations to Default Management.

- The data manager should determine if all relevant material is present.

  See the section of this chapter entitled "How does a school submit new data adjustment allegations to a data manager?" for information on the materials a school is required to submit with its incorrect data challenge. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day deadline for submitting new data adjustment allegations. If the school does not submit the additional information within the deadline, the data manager must not review the new data adjustment allegation.

- The data manager should determine if its documentation supports or refutes each of the new data adjustment allegations listed on the school's spreadsheet.

  The data manager should agree with the school if the data manager's documentation supports the school's claim or if the school has demonstrated that the data manager has failed to take into account correct information the school timely sent to the data manager or NSLDS.

  The data manager should disagree with the school if the data manager's documentation refutes the school's claim or if the school failed to demonstrate that the correct information was timely submitted to the data manager or NSLDS. The data manager must explain to the school why it disagrees with the school and send the school a copy of the data manager's supporting documentation. The data manager must send a copy of the response and the supporting documentation to Default Management.

After making its determinations, the data manager must compile a list of the data manager's responses to the school's list of new data adjustment allegations. The data manager must record the responses to each of the new data adjustment allegations on a new data adjustment allegations response spreadsheet and provide comments on why the data manager agrees or disagrees with each of the school's new data adjustment allegations. If the data manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS. Before the release of the draft cohort default rates, the data manager must ensure that the changes they agreed to make were successfully loaded into NSLDS. The data manager should check the NSLDS error report.

The data manager must provide supporting documentation if the data manager disagrees with the school's new data adjustment allegations. In addition, if the data manager's response indicates that a loan has been repurchased, the data manager should provide the original claim paid date, the repurchase date, the reason the loan was repurchased, and the default date if any subsequent claim was filed.

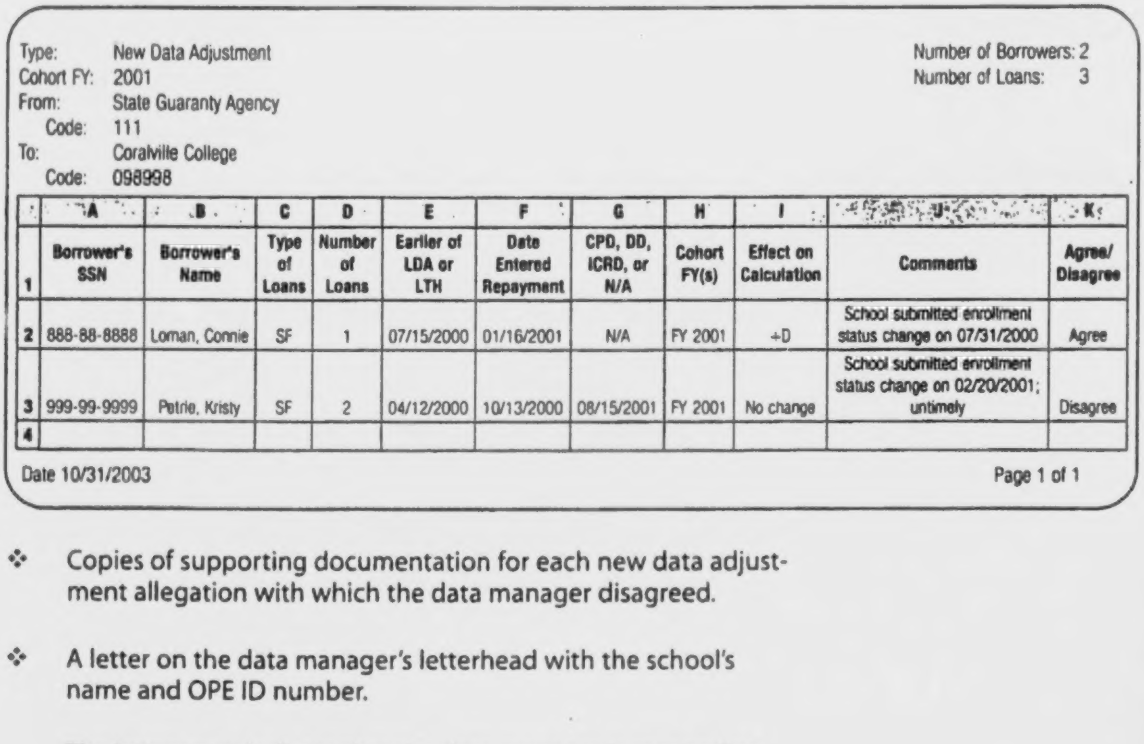
The data manager new data adjustment allegations response should include the following:

- A spreadsheet of the data manager's responses to the school's list of new data adjustment allegations.

  Figure 4.4.4 is a sample data manager new data adjustment allegations response spreadsheet to a school. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.4.4

Sample Data Manager New Data Adjustment Allegations Response Spreadsheet to School



Type: New Data Adjustment
Cohort FY: 2001
From: State Guaranty Agency
Code: 111
To: Coralville College
Code: 098998

Number of Borrowers: 2
Number of Loans: 3

	A	B	C	D	E	F	G	H	I	J	K
1	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
2	888-88-8888	Loman, Connie	SF	1	07/15/2000	01/16/2001	N/A	FY 2001	+D	School submitted enrollment status change on 07/31/2000	Agree
3	999-99-9999	Petrie, Kristy	SF	2	04/12/2000	10/13/2000	08/15/2001	FY 2001	No change	School submitted enrollment status change on 02/20/2001; untimely	Disagree
4											

Date 10/31/2003

Page 1 of 1

- Copies of supporting documentation for each new data adjustment allegation with which the data manager disagreed.

- A letter on the data manager's letterhead with the school's name and OPE ID number.

  The letter must indicate that the data manager is responding to the school's new data adjustment allegations and include the cohort fiscal year to which the response applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the new data adjustment] New Data Adjustment Allegations Response." The letter must also include a statement that a copy of the new data adjustment allegations response has been sent to Default Management. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.4.5 is a sample data manager new data adjustment allegations response letter.

The data manager must send its new data adjustment allegations response within 20 calendar days of receiving the new data adjustment allegations from the school. The data manager sends its new data adjustment allegations response to the school and a copy of the new data adjustment allegations response to Default Management.

If a data manager is unable to respond within 20 calendar days of receiving the school's new data adjustment allegations, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that Default Management has been informed of the delay.

If a data manager can respond to only a portion of a school's new data adjustment allegations within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's new data adjustment allegations. The data manager should send a letter to the school and Default Management that provides the information outlined above.

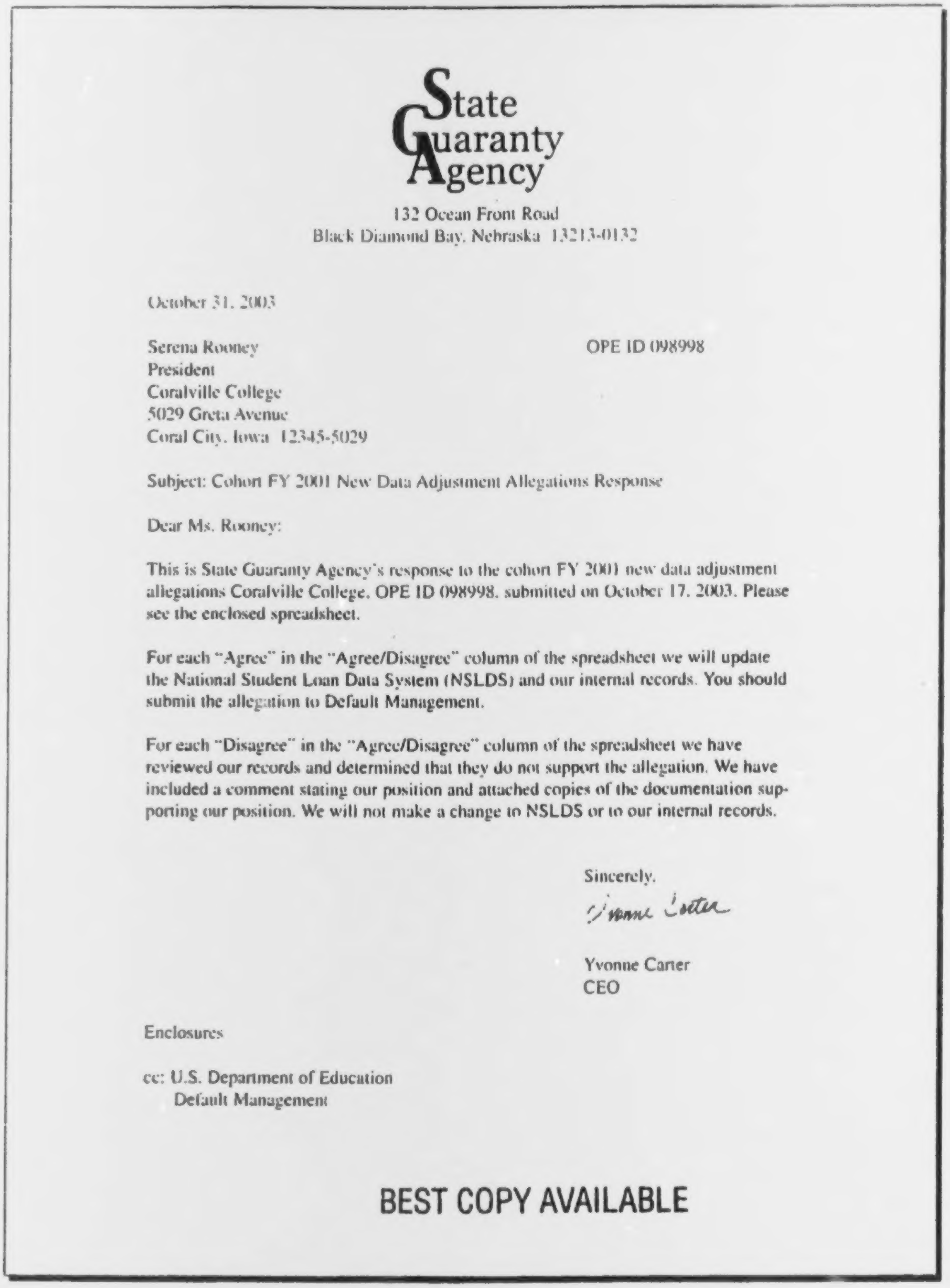
Which Department address does a data manager use for submitting a copy of its new data adjustment allegations response?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A data manager should not send new data adjustment materials to any other addresses at the Department.

Default Management recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the new data adjustment allegations response as well as all other electronic and hardcopy documentation submitted as a part of the new data adjustment process.

The data manager can use this information when submitting monthly status reports to Default Management. For additional information on monthly status reports, see Chapter 3.2, "Data Manager Strategies."

Figure 4.4.5 - Sample Data Manager New Data Adjustment Allegations Response Letter to School



State
Guaranty
Agency

132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

October 31, 2003

Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2001 New Data Adjustment Allegations Response

Dear Ms. Rooney:

This is State Guaranty Agency's response to the cohort FY 2001 new data adjustment allegations Coralville College, OPE ID 098998, submitted on October 17, 2003. Please see the enclosed spreadsheet.

For each "Agree" in the "Agree/Disagree" column of the spreadsheet we will update the National Student Loan Data System (NSLDS) and our internal records. You should submit the allegation to Default Management.

For each "Disagree" in the "Agree/Disagree" column of the spreadsheet we have reviewed our records and determined that they do not support the allegation. We have included a comment stating our position and attached copies of the documentation supporting our position. We will not make a change to NSLDS or to our internal records.

Sincerely,

Yvonne Carter

Yvonne Carter
CEO

Enclosures

cc: U.S. Department of Education
Default Management

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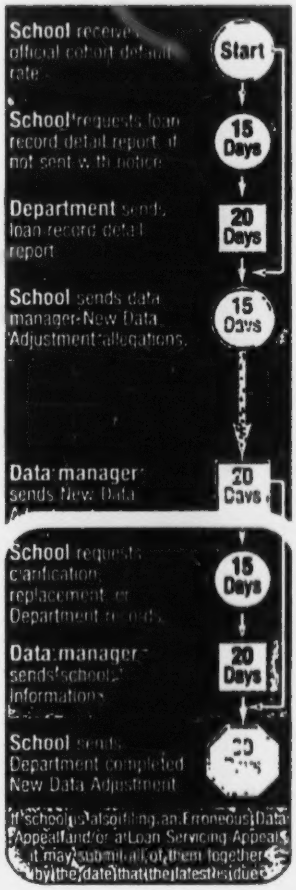
What does a school do with the data manager's new data adjustment allegations response?


School receives official cohort default rate
Start
School requests loan record detail report, if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends data manager New Data Adjustment allegations
15 Days
Data manager sends New Data
20 Days
School requests clarification, replacement, or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed New Data Adjustment
30
If school is also filing an Erroneous Data Appeal and/or a Loan Servicing Appeal, it may submit all of them together by the date that the latest is due

Timing is critical after receiving a data manager's new data adjustment allegations response. In those cases where the data manager's new data adjustment allegations response is unclear, incorrect, missing, or incomplete, the school may submit a request to the data manager for a clarification. The school must submit the request to the data manager within 15 calendar days of the receipt of the new data adjustment allegations response. The school should also send a copy of the inquiry letter to Default Management. The data manager must respond to the school's inquiry within 20 calendar days of receiving the inquiry and send a copy of the response to Default Management. A school cannot appeal a data manager's new data adjustment allegations response to Default Management.

Within 30 calendar days of receiving the last response to all of the school's new data adjustment allegations, the school must decide how to proceed and prepare a response to Default Management accordingly. If the response indicates that there is no new data in the school's official cohort default rate calculation, the school can proceed no further and must then notify Default Management that the school is withdrawing the new data adjustment.

If the data manager agrees with any of the school's new data adjustment allegations, the school should submit a new data adjustment to Default Management. Only Default Management can make the recommended changes to the school's cohort default rate.

If the school continues with the new data adjustment, it must submit a new data adjustment to Default Management within 30 calendar days of receiving the last response to the school's new data adjustment allegations with the following exception: If the school is submitting the new data adjustment to Default Management along with a timely erroneous data appeal and/or a timely loan servicing appeal, the school may submit all materials by the later of

- within 30 calendar days of receipt of the last response to all of the school's new data adjustment allegations,
- within 30 calendar days of receipt of the last response to all of the school's erroneous data appeal allegations, or
- within 30 calendar days of receipt of the last response to all of the school's requests for loan servicing records.

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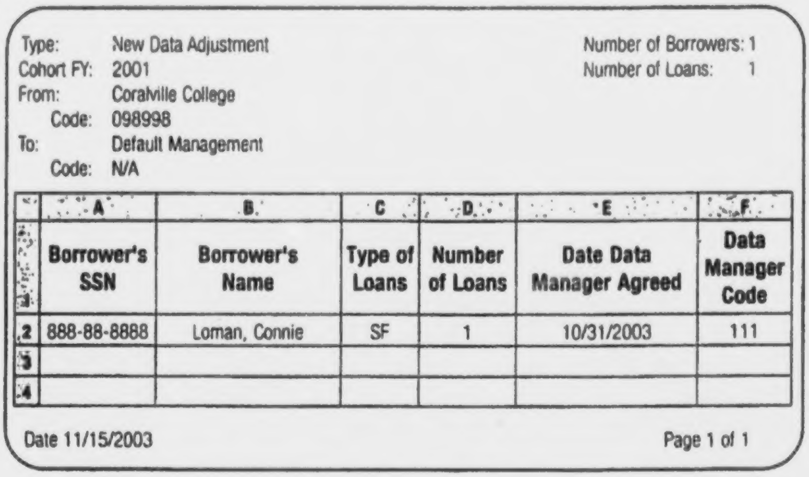
If the school does not submit the new data adjustment in a timely manner, Default Management will not review the new data adjustment and will return all new data adjustment materials to the school.

The school must submit to Default Management the following:

- A spreadsheet that lists the new data adjustment allegations with which the data manager agreed.

  Figure 4.4.6 is a sample school new data adjustment spreadsheet to Default Management. Instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."



Type: New Data Adjustment
Cohort FY: 2001
From: Coralville College
Code: 098998
To: Default Management
Code: N/A

Number of Borrowers: 1
Number of Loans: 1

	A	B	C	D	E	F
1	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Date Data Manager Agreed	Data Manager Code
2	888-88-8888	Loman, Connie	SF	1	10/31/2003	111
3						
4						

Date 11/15/2003

Page 1 of 1

Figure 4.4.6

Sample School New Data Adjustment Spreadsheet to Default Management

- Copies of the data manager new data adjustment allegations responses confirming that a change is warranted.

- A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is submitting a new data adjustment, and the cohort fiscal year to which the new data adjustment applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the new data adjustment] New Data Adjustment." The letter must also include a certification that the information provided is true and correct under penalty of perjury, a list of any other adjustments or appeals the school intends to submit to Default Management, and a notation that the school is sending a copy of the letter and the spreadsheet to the data manager(s).

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The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.4.7 is a sample school new data adjustment letter to Default Management.

Which Department address does a school use for submitting a new data adjustment?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send new data adjustment materials to any other addresses at the Department.

Default Management recommends that a school send all new data adjustment correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its new data adjustment. A school should maintain the documentation which verifies the receipt of the new data adjustment as well as all electronic and hardcopy documentation submitted as a part of the new data adjustment process. If a school does not meet the 30-calendar-day time frame for submitting a new data adjustment, the new data adjustment will not be reviewed.

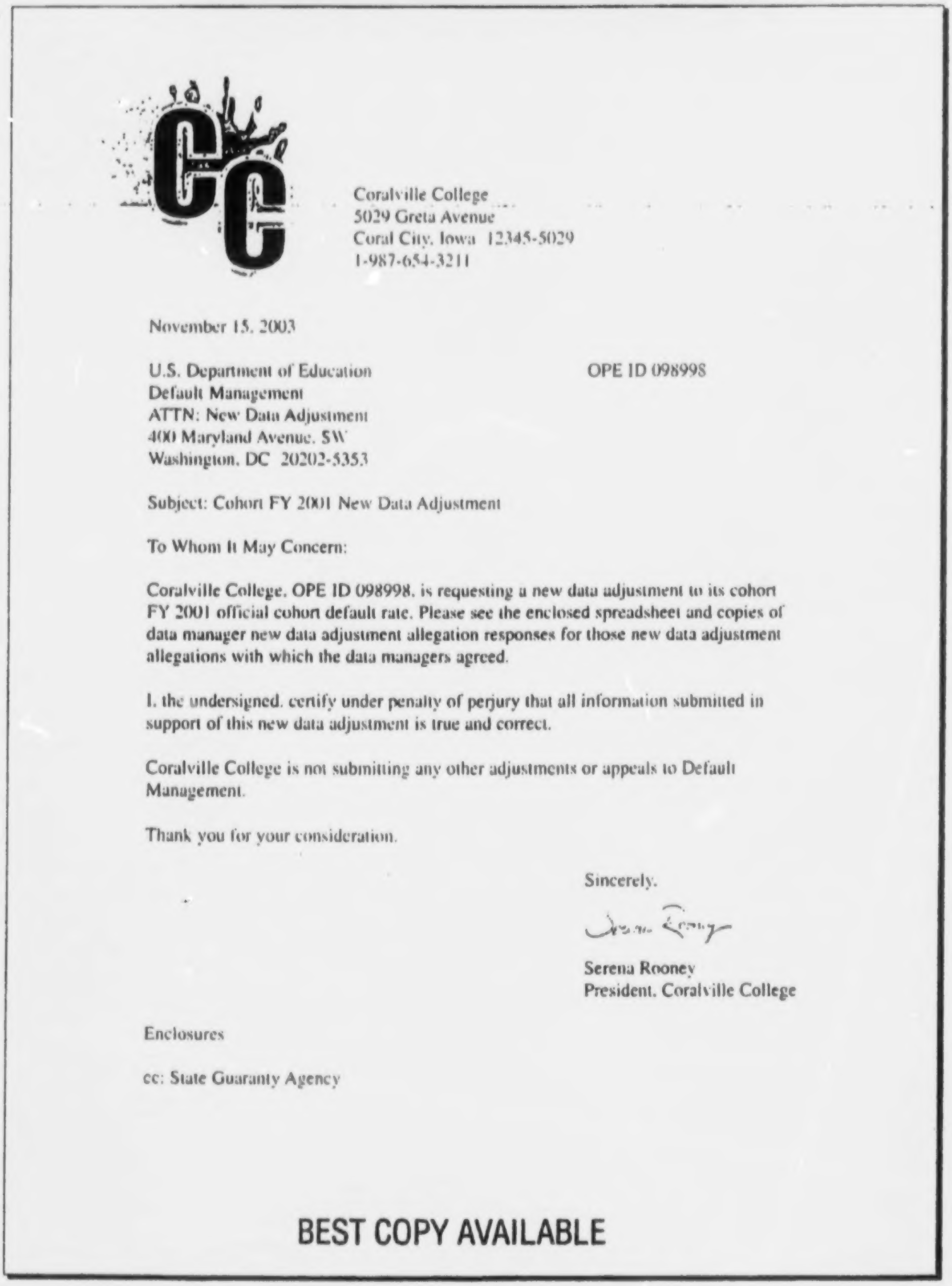
What happens after the school submits the new data adjustment?

Default Management will review only the information submitted with the new data adjustment and will not review information submitted after the deadline. Default Management will send the school and each involved data manager written notification of Default Management's decision. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated. Default Management's decision is final and no further administrative review is provided.

If Default Management determines, using the standard of review described in 34 CFR 668.189(f), that a school's cohort default calculation data is incorrect, Default Management will recalculate the cohort default rate based on the corrected data.

If the school was notified that it was subject to sanction and the new data adjustment is successful and the revised cohort default rate is below the sanction level, Default Management will withdraw that sanction notice. If the school was notified that it was subject to sanction and the new data adjustment is unsuccessful (or if the new data adjustment is successful but the revised cohort default rate

Figure 4.4.7 - Sample School New Data Adjustment Letter to Default Management



Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029
1-987-654-3211

November 15, 2003

U.S. Department of Education
Default Management
ATTN: New Data Adjustment
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2001 New Data Adjustment

To Whom It May Concern:

Coralville College, OPE ID 098998, is requesting a new data adjustment to its cohort FY 2001 official cohort default rate. Please see the enclosed spreadsheet and copies of data manager new data adjustment allegation responses for those new data adjustment allegations with which the data managers agreed.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this new data adjustment is true and correct.

Coralville College is not submitting any other adjustments or appeals to Default Management.

Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

Enclosures

cc: State Guaranty Agency

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remains above the sanction level), and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

213

School to Data Manager New Data Adjustment Checklist

Determine
- ☐ Does the loan record detail report for the official cohort default rates contain new data? (See page 4.4-1)

Submit to Data Manager
- ☐ Spreadsheet (See page 4.4-5)
- ☐ Relevant Pages of Loan Record Detail Report (See page 4.4-6)
- ☐ Supporting Documentation (See page 4.4-6)
- ☐ Letter (See page 4.4-6)

Data Manager to School New Data Adjustment Checklist

Determine
- ☐ Was the school submission timely? (See page 4.4-8)
- ☐ Does the data manager hold the loans? (See page 4.4-9)
- ☐ Is all the material present? (See page 4.4-10)
- ☐ Does the data manager agree or disagree with the school? (See page 4.4-10)

Response to School
- ☐ Spreadsheet (See page 4.4-11)
- ☐ Supporting Documentation (See page 4.4-11)
- ☐ Letter (See page 4.4-11)

Follow-Up
- ☐ Send copy of response to Default Management (See page 4.4-12)
- ☐ Update NSLDS and internal records (if necessary) (See page 4.4-10)
- ☐ Send monthly status report to Default Management (See page 4.4-12)

School to Default Management New Data Adjustment Checklist

Determine

- ☐ Did the data manager agree with any of the new data adjustment allegations? (See page 4.4-14)
- ☐ Does the school have outstanding erroneous data appeal allegations or outstanding requests for loan servicing records? (See page 4.4-14)

Submit to Default Management

- ☐ Withdrawal Notice (See page 4.4-14)

OR

- ☐ Spreadsheet (See page 4.4-15)
- ☐ Copy of Data Manager New Data Adjustment Response (See page 4.4-15)
- ☐ Letter (See page 4.4-15)

Erroneous Data Appeal

Chapter 4.5

What is an erroneous data appeal? 4.5-1
What is new data? 4.5-1
What if the new data is correct? 4.5-1
What is disputed data? 4.5-2
Which schools are eligible to submit an erroneous data appeal? 4.5-2
What benefit will a school gain from submitting an erroneous data appeal? 4.5-3
What roles do the Department and data managers have in a school's erroneous data appeal? 4.5-3
How does a school submit erroneous data appeal allegations to a data manager? 4.5-4
How does a school identify the data manager of a loan? 4.5-8
How does a data manager respond to a school's erroneous data appeal allegations? 4.5-8
Which Department address does a data manager use for submitting a copy of its erroneous data appeal allegations response? 4.5-12
What does a school do with the data manager's erroneous data appeal allegations response? 4.5-14
Which Department address does a school use for submitting an erroneous data appeal? 4.5-18
What happens after the school submits the erroneous data appeal? 4.5-18
How does provisional certification affect a school's ability to submit an erroneous data appeal? 4.5-19

Erroneous Data Appeal

34 CFR 668.192

What is an erroneous data appeal?

An erroneous data appeal alleges that because of "new data" and/or "disputed data" included in the official cohort default rate calculation, a school's official cohort default rate is inaccurate.

Figure 4.5.1 shows the time frame for submitting an erroneous data appeal.

What is new data?

New data occurs when loan data reported to the National Student Loan Data System (NSLDS) changes during the period between the calculation of the draft and official cohort default rates. NSLDS is continuously provided with new or updated information. Because the draft cohort default rates are calculated approximately six months before the official cohort default rates are calculated, the data used to calculate the draft cohort default rates may be different from the data used to calculate the official cohort default rates.

New data can be identified by comparing the loan record detail reports for the draft and official cohort default rates for the same cohort fiscal year and determining if any loan data is newly included, excluded, or changed in any manner. The school should then determine if the new data results in the loan data being reported incorrectly.

The following are examples of new data:

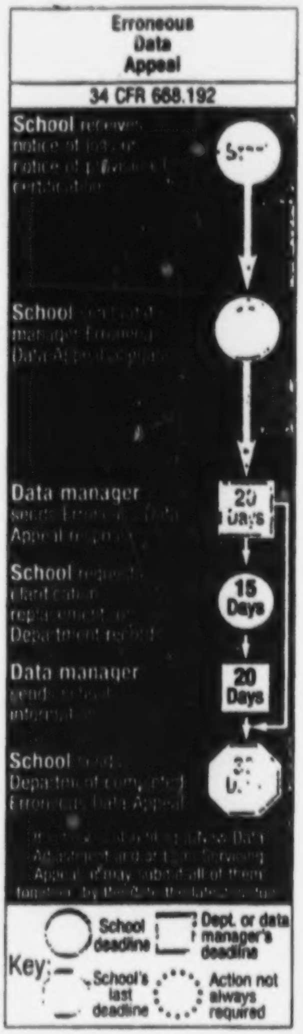
- A loan is included in a school's draft cohort default rate calculation but is not included in its official cohort default rate calculation.
- A loan is included in a school's draft cohort default rate calculation as a non-defaulted loan but is included in its official cohort default rate calculation as a defaulted loan.

What if the new data is correct?

If the new data in the loan record detail report for the official cohort default rates is correct, a school cannot submit an erroneous data appeal based on new data. A school can only submit an erroneous data appeal when the new data is incorrect. Therefore, for the purposes of this chapter, any mentions of "new data" refer to "new incorrect data."

Figure 4.5.1

Time Frame for Submitting an Erroneous Data Appeal



What is disputed data?

Disputed data occurs when

- a school submitted an incorrect data challenge allegation,
- the data manager for the loan disagreed with the incorrect data challenge allegation,
- the school believed the data manager was incorrect, and
- the same alleged error exists in the school's official cohort default rate data.

Which schools are eligible to submit an erroneous data appeal?

In order to submit an erroneous data appeal, a school must meet all of the following criteria:

- The school's official cohort default rate calculation must include new and/or disputed data.
- The school must be subject to official cohort default rate sanctions or provisional certification based solely on the school's cohort default rate.
- The school's successful erroneous data appeal, either by itself or in combination with an uncorrected data adjustment, a new data adjustment, or a loan servicing appeal, will result in a recalculated cohort default rate below the sanction threshold.

A school may submit an erroneous data appeal for any of the official cohort default rates upon which its sanction is based as long as the school has not previously appealed that official cohort default rate on the basis of erroneous data and has not previously been subject to sanction based on that official cohort default rate.

If a school is not subject to sanction, the school might be eligible to submit an uncorrected data adjustment or a new data adjustment. For more information on uncorrected data adjustments, see Chapter 4.3, "Uncorrected Data Adjustment." For more information on new data adjustments, see Chapter 4.4, "New Data Adjustment."

In certain circumstances, a school that is subject to provisional certification based solely on its cohort default rate is eligible to submit an erroneous data appeal. See the section of this chapter entitled "How does provisional certification affect a school's ability to submit an erroneous data appeal?" for additional information.

What benefit will a school gain from submitting an erroneous data appeal?

If, as a result of an erroneous data appeal (or as the result of a school's submission of any adjustment or appeal), the U.S. Department of Education's (the Department's) Default Management determines that a school's official cohort default rate calculation data is incorrect, Default Management will recalculate the cohort default rate using the corrected data. This may lower, raise, or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though Default Management may revise a cohort default rate, subsequent copies of the loan record detail report for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of Default Management's final determination letter as the official record of the school's revised cohort default rate.

If a school's cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction

What roles do the Department and data managers have in a school's erroneous data appeal?

A data manager is required to review a school's erroneous data appeal allegations if the erroneous data appeal allegations are submitted in a timely manner and the data manager has responsibility for the loans. If a school submits erroneous data appeal allegations to the wrong entity, the erroneous data appeal allegations will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the loan record detail report identifies the data manager for a loan. See Chapter 2.3, "Loan Record Detail Report," for information on determining the data manager for a loan.

The data manager must respond to the school's erroneous data appeal allegations within 20 calendar days of receipt. However, the data manager must not review erroneous data appeal allegations if the school did not send the erroneous data appeal allegations within the 15-calendar-day time frame. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

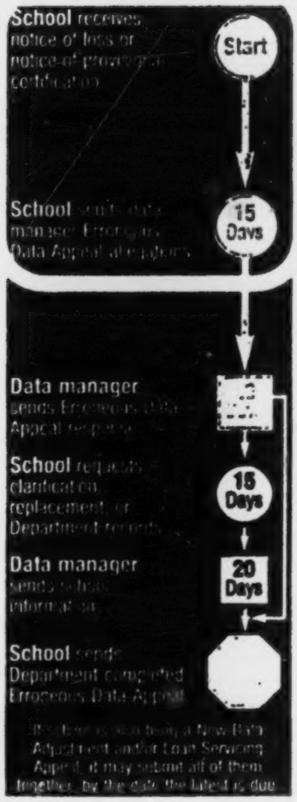
The Department has two roles in the erroneous data appeal process. The primary role is to review a school's erroneous data appeal, which is submitted to Default Management once the school has received data manager responses for all of the school's erroneous data appeal allegations.

219

The Department's other role is to respond to a school's erroneous data appeal allegations if the Department is the data manager for the loans. The Department is the data manager for Federal Family Education Loans (FFELs) the Department holds and for all William D. Ford Federal Direct Loans (Direct Loans).

Default Management is responsible for responding to a school's erroneous data appeal allegations for FFELs that the Department holds. These loans are primarily identified in the loan record detail report with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" section of Chapter 2.6, "General Information Tools," for a listing of other codes that identify the Department as the holder of a loan.

The Department's Direct Loan servicer is responsible for responding to a school's erroneous data appeal allegations regarding all Direct Loans, even those that are in default. These loans are identified in the loan record detail report with a guarantor/servicer code of 0101.


School receives notice of loss or notice of provisional certification
Start
School sends data manager Erroneous Data Appeal allegations
15 Days
Data manager sends Erroneous Data Appeal response
School requests clarification, replacement, or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed Erroneous Data Appeal
If school is also filing a New Data Adjustment and/or Loan Servicing Appeal, it may submit all of them together, by the date the latest is due

How does a school submit erroneous data appeal allegations to a data manager?

Timing is critical when submitting an erroneous data appeal. A school begins the process by sending its erroneous data appeal allegations to the data manager responsible for a loan within 15 calendar days of receiving the official cohort default rate notification letter. Chapter 3.1, "School Strategies," outlines a method a school can follow to determine if the loan record detail report contains inaccurate data. The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," lists examples of erroneous data appeal allegations a school may submit as a part of an erroneous data appeal.

Upon receiving the loan record detail report for the official cohort default rates, a school should compare the loan record detail reports for the draft and official cohort default rates to determine if any loan data has changed between the loan record detail reports and, if so, whether the changes result in the loan being reported incorrectly. The school should also determine if the loan record detail report contains any disputed data. If either situation exists, the school should submit erroneous data appeal allegations to the data manager for the loan.

A school must list separate erroneous data appeal allegations for each loan record that the school believes contains new and/or disputed data. If one data manager is responsible for all the loans, the school must list all the erroneous data appeal allegations in one submission. However, if there are multiple data managers involved,

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the school must submit separate erroneous data appeal allegations to each data manager. For example, a school believes the loan record detail report contains three loans with new and/or disputed data. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate erroneous data appeal allegations packages, one for each data manager, listing only the loans held by each data manager.

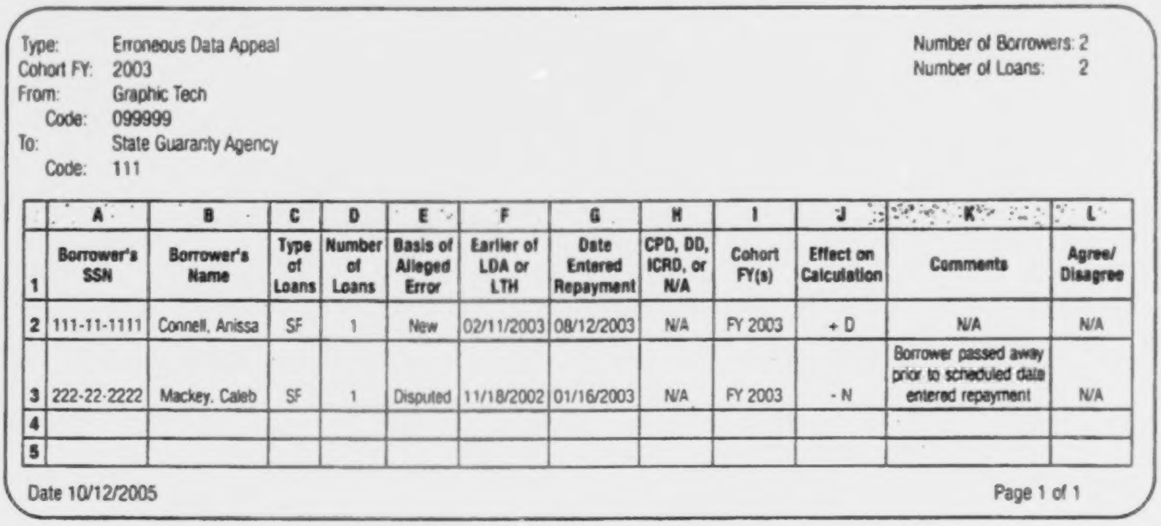
The materials must include the following items:

- An erroneous data appeal allegations spreadsheet that lists the erroneous data.

  Figure 4.5.2 is a sample school erroneous data appeal allegations spreadsheet to a data manager. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11,,"Challenge, Adjustment, and Appeal Tools."

Figure 4.5.2

Sample School Erroneous Data Appeal Allegations Spreadsheet to Data Manager



Type: Erroneous Data Appeal
Cohort FY: 2003
From: Graphic Tech
Code: 099999
To: State Guaranty Agency
Code: 111

Number of Borrowers: 2
Number of Loans: 2

	A	B	C	D	E	F	G	H	I	J	K	L
1	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Basis of Alleged Error	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree
2	111-11-1111	Connell, Anissa	SF	1	New	02/11/2003	08/12/2003	N/A	FY 2003	+ D	N/A	N/A
3	222-22-2222	Mackey, Caleb	SF	1	Disputed	11/18/2002	01/16/2003	N/A	FY 2003	- N	Borrower passed away prior to scheduled date entered repayment	N/A
4												
5												

Date 10/12/2005

Page 1 of 1

- Copies of the appropriate pages from the relevant loan record detail report(s) to demonstrate that the loans are new data or disputed data.

  The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," lists examples of the loan record detail report pages a school should submit as a part of an erroneous data appeal.

- Copies of relevant supporting documentation.

  The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," contains examples of the type of supporting documentation a school must submit to support an erroneous data appeal allegation.

- A letter on the school's letterhead.

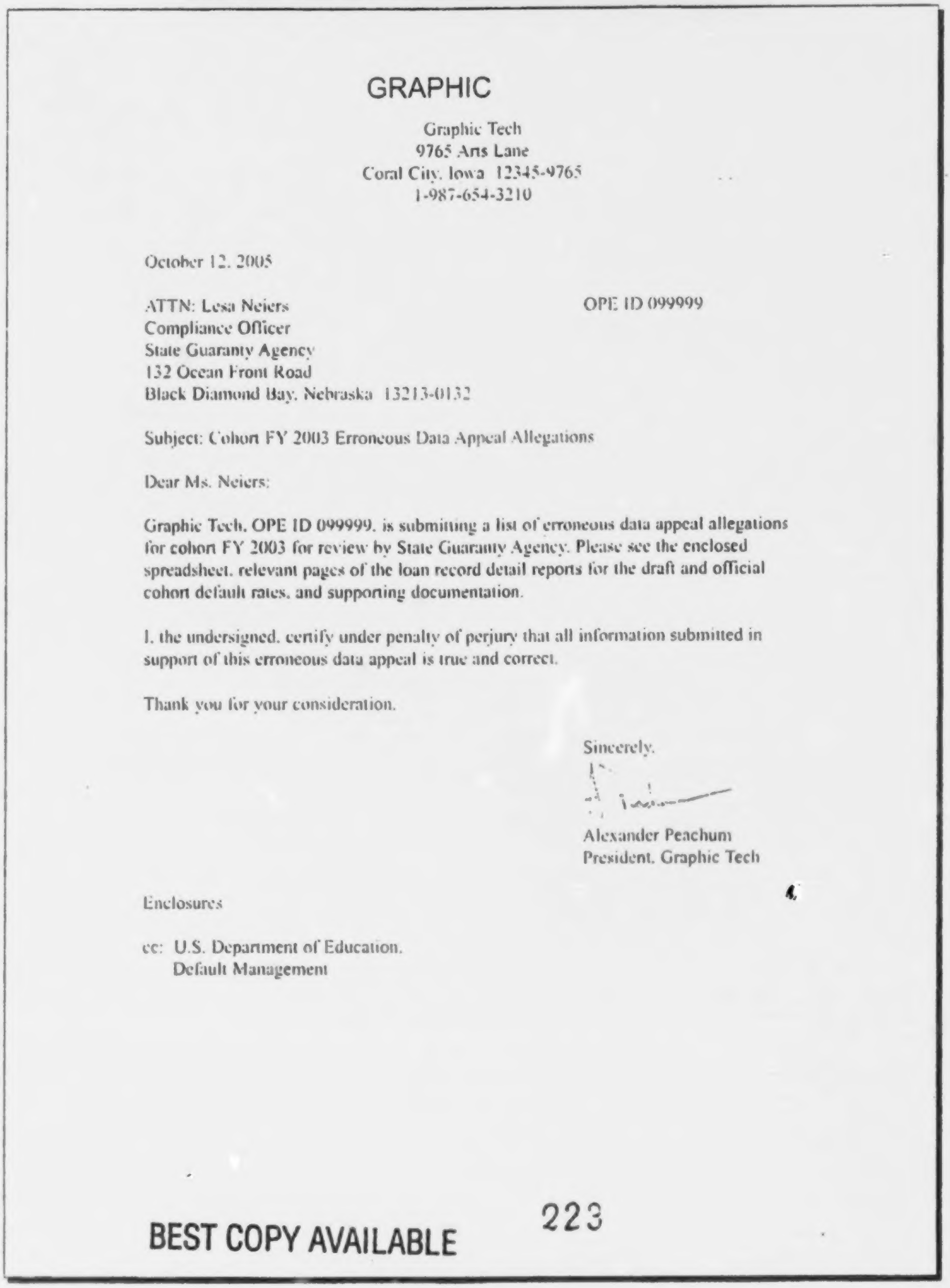
  The letter must include the school's OPE ID number, a statement indicating that the school is submitting erroneous data appeal allegations, and the cohort fiscal years to which the erroneous data appeal allegations apply. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Erroneous Data Appeal Allegations." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a notation that the school is sending a copy of the letter and the spreadsheet to Default Management. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.5.3 is a sample school erroneous data appeal allegations letter to a data manager.

If a school is submitting erroneous data appeal allegations for multiple official cohort default rates, the school should submit all the erroneous data appeal allegations in the same mailing to the data manager and to Default Management. However, the school still needs to submit separate documentation for each erroneous data appeal.

The school must send a copy of the letter and the erroneous data appeal allegations spreadsheet to Default Management at the same time it sends the complete erroneous data appeal allegations package to the data manager. The school does not need to send the pages of the loan record detail reports or the relevant supporting documentation to Default Management at that time unless the school is making allegations about a FFEL that the Department holds.

Default Management recommends that a school send all erroneous data appeal allegations correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation which verifies the receipt of the materials as well as all electronic and hardcopy documentation submitted as a part of the erroneous data appeal process. If a school does not meet the 15-calendar-day time frame for submitting erroneous data appeal allegations, the erroneous data appeal allegations will not be reviewed.

Figure 4.5.3 - Sample School Erroneous Data Appeal Allegations Letter to Data Manager



GRAPHIC

Graphic Tech
9765 Ans Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 12, 2005

ATTN: Lesa Neiers
Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

OPE ID 099999

Subject: Cohort FY 2003 Erroneous Data Appeal Allegations

Dear Ms. Neiers:

Graphic Tech, OPE ID 099999, is submitting a list of erroneous data appeal allegations for cohort FY 2003 for review by State Guaranty Agency. Please see the enclosed spreadsheet, relevant pages of the loan record detail reports for the draft and official cohort default rates, and supporting documentation.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this erroneous data appeal is true and correct.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

cc: U.S. Department of Education,
Default Management

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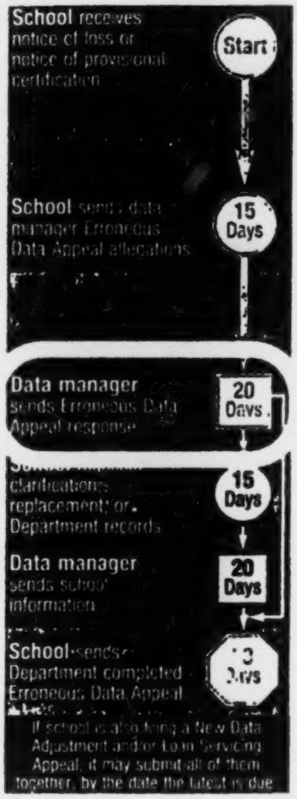
How does a school identify the data manager of a loan?

The guarantor/servicer code on the loan record detail report shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See the "Numerical Data Manager Contacts" section in Chapter 2.6, "General Information Tools," for a listing of data manager codes and addresses.


School receives notice of loss or notice of provisional certification
Start
School sends data manager Erroneous Data Appeal allegations
15 Days
Data manager sends Erroneous Data Appeal response
20 Days
clarification; replacement; or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed Erroneous Data Appeal
Days
If school is also filing a New Data Adjustment and/or Loan Servicing Appeal, it may submit all of them together, by the date the latest is due

How does a data manager respond to a school's erroneous data appeal allegations?

Timing is critical when responding to a school's erroneous data appeal. The data manager should first determine if the school is eligible to submit an erroneous data appeal. See the section of this chapter entitled "Which schools are eligible to submit an erroneous data appeal?" for information on determining if a school is eligible.

A data manager is required to respond to a school's timely submitted erroneous data appeal allegations for those loans for which the entity is the data manager and send a copy of the response to Default Management. However, the data manager must not review erroneous data appeal allegations if the 15-calendar-day time frame for a school to submit erroneous data appeal allegations has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its erroneous data appeal allegations to the data manager no later than the next federal business day.

Before denying a school's erroneous data appeal allegations on the basis of a late submission, a data manager should verify the actual date the school received its hardcopy loan record detail report for the official cohort default rates from Default Management. If the school did not submit the erroneous data appeal allegations in a timely manner, the data manager must not review any part of the submission. In its response to the school, the data manager should explain that it is unable to review the erroneous data appeal allegations because the school missed the regulatory deadline. The data manager must also send a copy of the response to Default Management.

The data manager must respond to timely submitted erroneous data appeal allegations within 20 calendar days of receiving the submission. In its erroneous data appeal allegations response, the data manager will address each of the school's timely submitted erroneous data appeal allegations. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

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If the school is eligible to submit an erroneous data appeal and the erroneous data appeal submission is timely, a data manager must review each erroneous data appeal allegation submitted by the school. The data manager should determine the following:

- The data manager should determine if the erroneous data appeal allegations presented by the school are based on loans that the data manager currently holds.

  If the data manager does not hold the loans, the data manager should notify the school and Default Management that the erroneous data appeal allegations must be submitted to the appropriate data manager and remind the school that the erroneous data appeal allegations must be submitted to the appropriate data manager within 15 calendar days of the school's receipt of its loan record detail report for the official cohort default rates.

  There will be some instances where the data manager was the former holder of the loans but those loans have been assigned to the Department and the loan record detail report for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and Default Management a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after receipt of the letter from the data manager to submit the erroneous data appeal allegations to Default Management.

- The data manager should determine if all relevant material is present.

  See the section of this chapter entitled "How does a school submit erroneous data appeal allegations to a data manager?" for information on the materials a school is required to submit with its erroneous data appeal. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day deadline for submitting erroneous data appeal allegations. If the school does not submit the additional information within the deadline, the data manager must not review the erroneous data appeal allegation.

- The data manager should determine if its documentation supports or refutes each of the erroneous data appeal allegations listed on the school's spreadsheet.

  The data manager should agree with the school if the data manager's documentation supports the school's claim or if the school has demonstrated that the data manager has failed to take into account correct information the school timely sent to the data manager or NSLDS.

  The data manager should disagree with the school if the data manager's documentation refutes the school's claim or if the school failed to demonstrate that the correct information was timely submitted to the data manager or NSLDS. The data manager must explain to the school why it disagrees with the school and send the school a copy of the data manager's supporting documentation. The data manager must send a copy of the response and the supporting documentation to Default Management.

After making its determinations, the data manager must compile a list of the data manager's responses to the school's list of erroneous data appeal allegations. The data manager must record the responses to each of the erroneous data appeal allegations on an erroneous data appeal allegations response spreadsheet and provide comments on why the data manager agrees or disagrees with each of the school's erroneous data appeal allegations. If the data manager agrees that a change should be made, it must correct the data in its internal data system and in NSLDS. Before the release of the draft cohort default rates, the data manager must ensure that the changes they agreed to make were successfully loaded into NSLDS. The data manager should check the NSLDS error report.

The data manager must provide supporting documentation if the data manager disagrees with the school's erroneous data appeal allegations. In addition, if the data manager's response indicates that a loan has been repurchased, the data manager should provide the original claim paid date, the repurchase date, the reason the loan was repurchased, and the default date if any subsequent claim was filed.

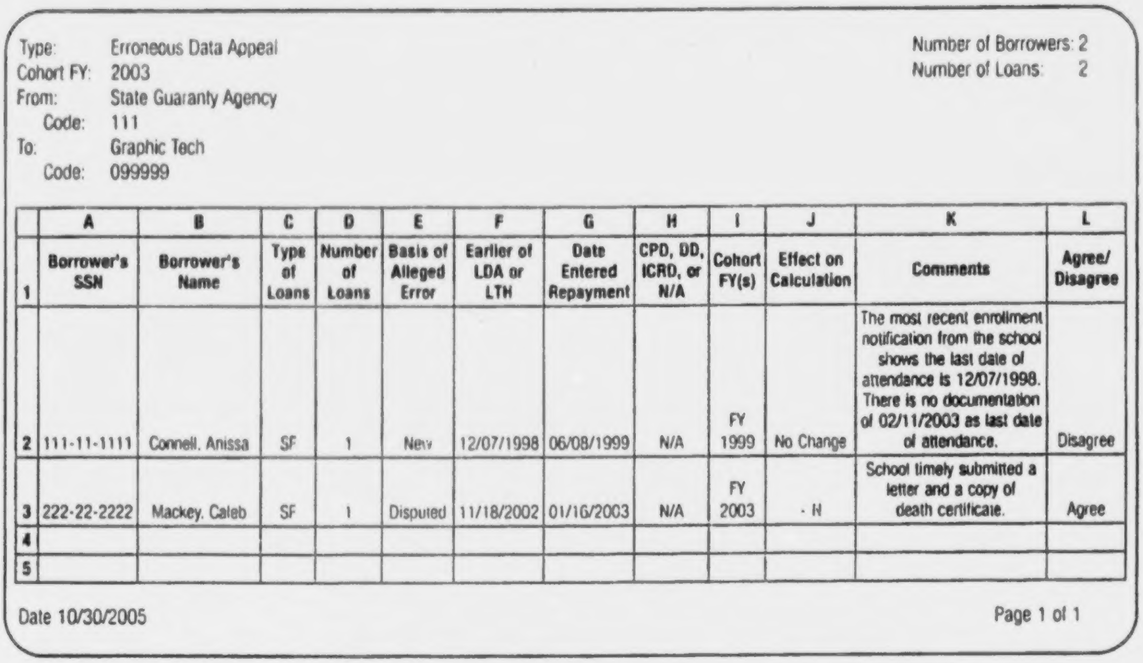
The data manager's erroneous data appeal allegations response should include the following:

- A spreadsheet of the data manager's responses to the school's list of allegations.

  Figure 4.5.4 is a sample data manager erroneous data appeal allegations response spreadsheet to a school. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.5.4

Sample Data Manager Erroneous Data Appeal Allegations Response Spreadsheet to School



Type: Erroneous Data Appeal
Cohort FY: 2003
From: State Guaranty Agency
Code: 111
To: Graphic Tech
Code: 099999

Number of Borrowers: 2
Number of Loans: 2

	A	B	C	D	E	F	G	H	I	J	K	L
1	**Borrower's SSN**	**Borrower's Name**	**Type of Loans**	**Number of Loans**	**Basis of Alleged Error**	**Earlier of LDA or LTH**	**Date Entered Repayment**	**CPD, DD, ICRD, or N/A**	**Cohort FY(s)**	**Effect on Calculation**	**Comments**	**Agree/ Disagree**
2	111-11-1111	Connell, Anissa	SF	1	New	12/07/1998	06/08/1999	N/A	FY 1999	No Change	The most recent enrollment notification from the school shows the last date of attendance is 12/07/1998. There is no documentation of 02/11/2003 as last date of attendance.	Disagree
3	222-22-2222	Mackey, Caleb	SF	1	Disputed	11/18/2002	01/16/2003	N/A	FY 2003	- N	School timely submitted a letter and a copy of death certificate.	Agree
4												
5												

Date 10/30/2005

Page 1 of 1

- Copies of supporting documentation for each allegation with which the data manager disagreed.

- A letter on the data manager's letterhead with the school's name and OPE ID number.

  The letter must indicate that the data manager is responding to the school's erroneous data appeal allegations and include the cohort fiscal years to which the erroneous data appeal allegations response applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Erroneous Data Appeal Allegations Response." The letter must also include a statement that a copy of the response has been sent to Default Management. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.5.5 is a sample data manager erroneous data appeal allegations response letter to a school.

The data manager must send its erroneous data appeal allegations response within 20 calendar days of receiving the erroneous data appeal allegations from the school. The data manager sends its erroneous data appeal allegations response to the school and a copy of the erroneous data allegations response to Default Management. If the school submitted allegations for multiple cohort fiscal years, the data manager should prepare separate responses for each cohort fiscal year. However, the data manager should send the separate responses in the same mailing.

If a data manager is unable to respond within 20 calendar days of receiving the school's erroneous data appeal allegations, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that Default Management has been informed of the delay.

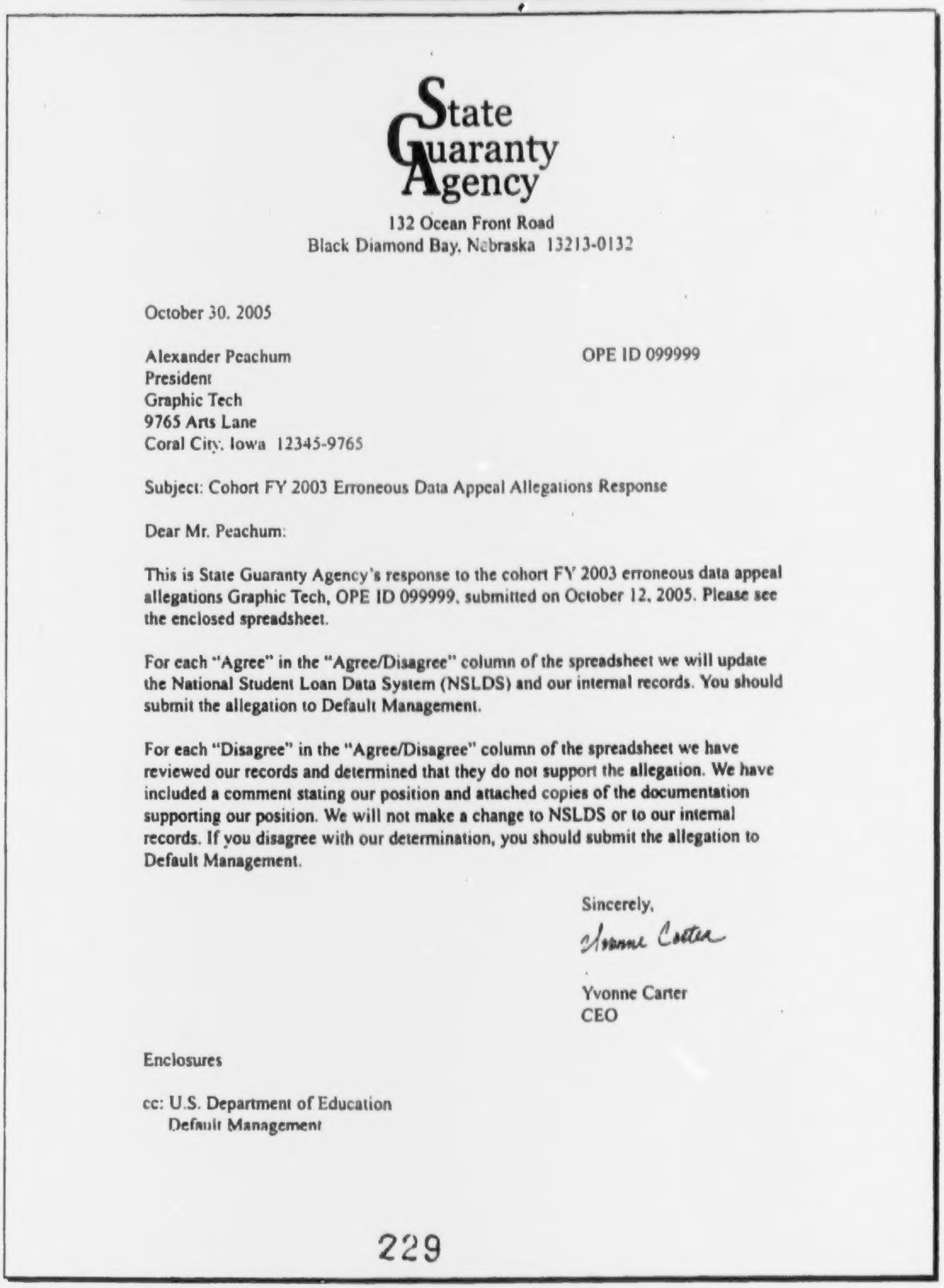
If a data manager can respond to only a portion of a school's erroneous data appeal allegations within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's erroneous data appeal allegations. The data manager should send a letter to the school and Default Management that provides the information outlined above.

Which Department address does a data manager use for submitting a copy of its erroneous data appeal allegations response?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A data manager should not send erroneous data appeal materials to any other addresses at the Department.

Default Management recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the erroneous data appeal allegations response as well as all other electronic and hardcopy documentation submitted as a part of the erroneous data appeal process.

Figure 4.5.5 - Sample Data Manager Erroneous Data Appeal Allegations Response Letter to School



State
Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

October 30, 2005

Alexander Peachum
President
Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765

OPE ID 099999

Subject: Cohort FY 2003 Erroneous Data Appeal Allegations Response

Dear Mr. Peachum:

This is State Guaranty Agency's response to the cohort FY 2003 erroneous data appeal allegations Graphic Tech, OPE ID 099999, submitted on October 12, 2005. Please see the enclosed spreadsheet.

For each "Agree" in the "Agree/Disagree" column of the spreadsheet we will update the National Student Loan Data System (NSLDS) and our internal records. You should submit the allegation to Default Management.

For each "Disagree" in the "Agree/Disagree" column of the spreadsheet we have reviewed our records and determined that they do not support the allegation. We have included a comment stating our position and attached copies of the documentation supporting our position. We will not make a change to NSLDS or to our internal records. If you disagree with our determination, you should submit the allegation to Default Management.

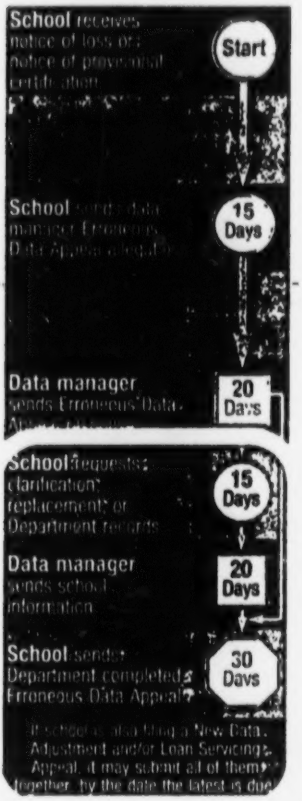
Sincerely,

Yvonne Carter

Yvonne Carter
CEO

Enclosures

cc: U.S. Department of Education
Default Management


School receives notice of loss or notice of provisional certification
Start
School sends data manager Erroneous Data Appeal allegations
15 Days
Data manager sends Erroneous Data
20 Days
School requests: clarification; replacement; or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed Erroneous Data Appeal
30 Days
If school is also filing a New Data Adjustment and/or Loan Servicing Appeal, it may submit all of them together by the date the latest is due

The data manager can use this information when submitting monthly status reports to Default Management. For additional information on monthly status reports, see Chapter 3.2, "Data Manager Strategies."

What does a school do with the data manager's erroneous data appeal allegations response?

Timing is critical after receiving a data manager's erroneous data appeal response. In those cases where the data manager's erroneous data appeal allegations response is unclear, incorrect, missing, or incomplete, the school may submit a request to the data manager for a clarification. The school must submit the request to the data manager within 15 calendar days of the receipt of the erroneous data appeal allegations response. The school should also send a copy of the inquiry letter to Default Management. The data manager must respond to the school's inquiry within 20 calendar days of receiving the inquiry and send a copy of the response to Default Management.

Within 30 calendar days of receiving the last response to all of the school's erroneous data appeal allegations, the school must decide how to proceed and prepare a response to Default Management accordingly. The school should do one of three things:

- If the data manager's erroneous data appeal allegations response indicates that there is erroneous data in the school's official cohort default rate calculation, the school should submit an erroneous data appeal to Default Management. Only the Department can make the recommended changes to the school's cohort default rate.

- If the data manager's erroneous data appeal allegations response indicates that there is no erroneous data in the school's official cohort default rate calculation and the school agrees with the data manager's erroneous data appeal allegations response, the school should notify Default Management that the school is withdrawing the erroneous data appeal.

- If the data manager's erroneous data appeal allegations response indicates that there is no erroneous data in the school's official cohort default rate calculation and the school disagrees with the data manager's erroneous data appeal allegations response, the school should submit an erroneous data appeal to Default Management.

No matter what course of action the school chooses to follow, it must send its erroneous data appeal or withdrawal letter to Default Management within 30 calendar days of receiving the last response to the school's erroneous data appeal allegations with the following

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exception: If the school is submitting the erroneous data appeal to Default Management along with a timely new data adjustment and/or a timely loan servicing appeal, the school may submit all materials by the later of

- within 30 calendar days of receipt of the last response to all of the school's new data adjustment allegations,
- within 30 calendar days of receipt of the last response to all of the school's erroneous data appeal allegations, or
- within 30 calendar days of receipt of the last response to all of the school's requests for loan servicing records.

If the school does not submit the erroneous data appeal in a timely manner, Default Management will not review the erroneous data appeal and will return all erroneous data appeal materials to the school. If a school is submitting an erroneous data appeal for multiple official cohort default rates, it should submit all the erroneous data appeals in the same mailing to Default Management. However, the school still needs to submit separate documentation for each erroneous data appeal.

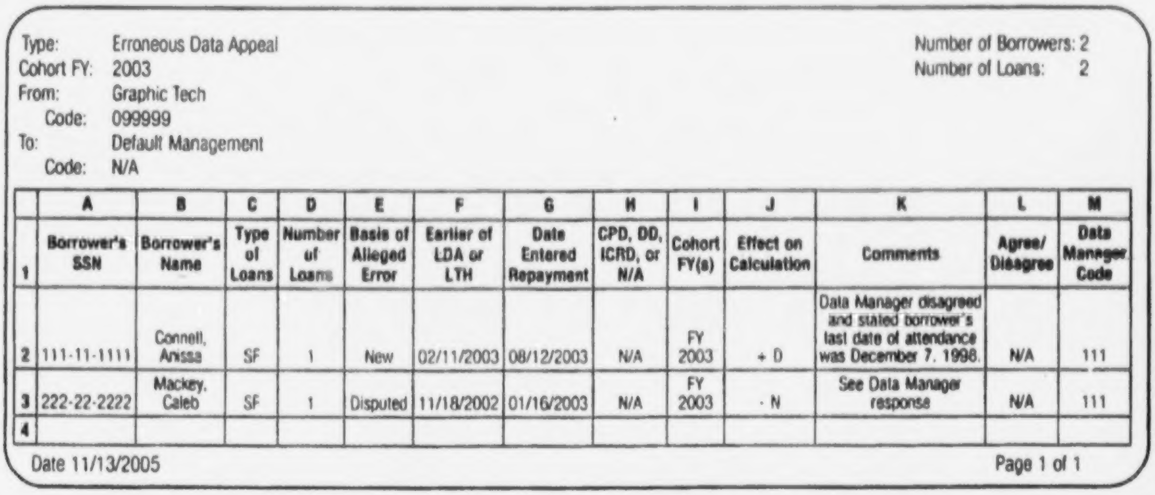
The school must submit to Default Management the following:

- A spreadsheet that lists the erroneous data appeal allegations reflected on the loan record detail report.

  Figure 4.5.6 is a sample school erroneous data appeal spreadsheet to Default Management. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.5.6

Sample School Erroneous Data Appeal Spreadsheet to Default Management



Type: Erroneous Data Appeal
Cohort FY: 2003
From: Graphic Tech
Code: 099999
To: Default Management
Code: N/A

Number of Borrowers: 2
Number of Loans: 2

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Basis of Alleged Error	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree	Data Manager Code
2	111-11-1111	Connell, Anissa	SF	1	New	02/11/2003	08/12/2003	N/A	FY 2003	+ D	Data Manager disagreed and stated borrower's last date of attendance was December 7, 1998.	N/A	111
3	222-22-2222	Mackey, Caleb	SF	1	Disputed	11/18/2002	01/16/2003	N/A	FY 2003	- N	See Data Manager response	N/A	111
4													

Date 11/13/2005

Page 1 of 1

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- Copies of relevant supporting documentation.

  The "Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," contains examples of the type of supporting documentation a school must submit to support an erroneous data appeal allegation.

- Copies of the data manager incorrect data challenge responses for disputed data.

- Copies of the data manager erroneous data appeal allegations responses.

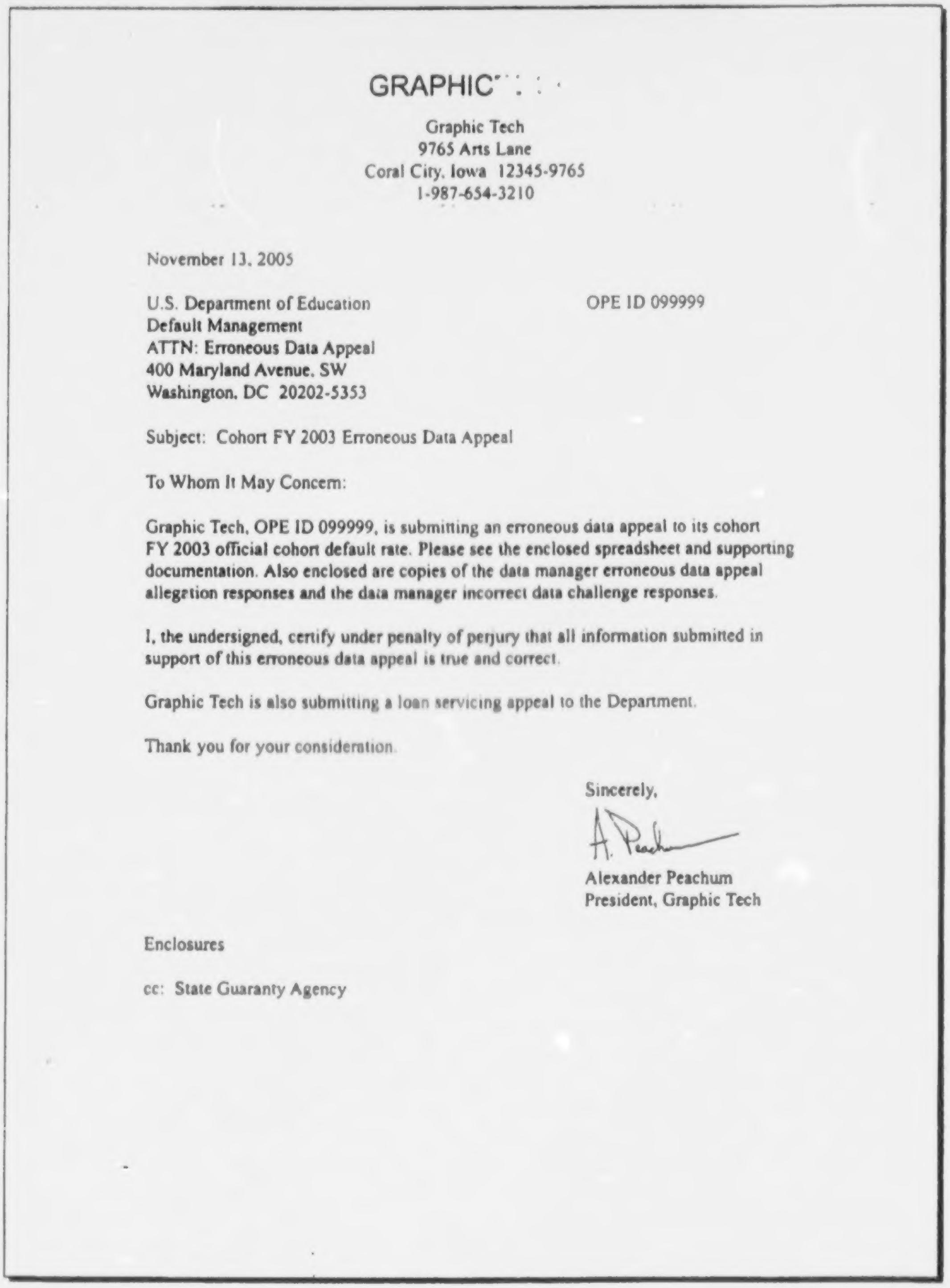
- A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is submitting an erroneous data appeal, and a reference to the applicable cohort fiscal years to which the appeal applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Erroneous Data Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to Default Management. Finally, there must be a notation that the school is sending a copy of the letter and the spreadsheet to the data manager(s). The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.5.7 is a sample school erroneous data appeal letter to Default Management.

If the school does not submit the erroneous data appeal in a timely manner, Default Management will not review the erroneous data appeal and will return all erroneous data appeal materials to the school.

If a school is submitting erroneous data appeal allegations for multiple official cohort default rates, the school should submit all the erroneous data appeal allegations in the same mailing to the data manager and to Default Management. However, the school still needs to submit separate documentation for each erroneous data appeal.

Figure 4.5.7 - Sample School Erroneous Data Appeal Letter to Default Management



GRAPHIC

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

November 13, 2005

U.S. Department of Education
Default Management
ATTN: Erroneous Data Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2003 Erroneous Data Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting an erroneous data appeal to its cohort FY 2003 official cohort default rate. Please see the enclosed spreadsheet and supporting documentation. Also enclosed are copies of the data manager erroneous data appeal allegation responses and the data manager incorrect data challenge responses.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this erroneous data appeal is true and correct.

Graphic Tech is also submitting a loan servicing appeal to the Department.

Thank you for your consideration.

Sincerely,

A. Peachum

Alexander Peachum
President, Graphic Tech

Enclosures

cc: State Guaranty Agency

Which Department address does a school use for submitting an erroneous data appeal?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send erroneous data appeal materials to any other addresses at the Department.

Default Management recommends that a school send all erroneous data appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its erroneous data appeal. A school should maintain the documentation which verifies the receipt of the erroneous data appeal as well as all electronic and hardcopy documentation submitted as a part of the erroneous data appeal process. If a school does not meet the time frame for submitting an erroneous data appeal, the erroneous data appeal will not be reviewed.

What happens after the school submits the erroneous data appeal?

Default Management will review only the information submitted with the erroneous data appeal and will not review information submitted after the deadline. Default Management will send the school and each involved data manager written notification of Default Management's decision. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated. Default Management's decision is final and no further administrative review is provided.

If Default Management determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default calculation data is incorrect, Default Management will recalculate the cohort default rate based on the corrected data.

If the school was notified that it was subject to sanction and the erroneous data appeal is successful and the revised cohort default rate is below the sanction level, Default Management will withdraw that sanction notice. If the school was notified that it was subject to sanction and the erroneous data appeal is unsuccessful and the school has no other outstanding adjustments or appeals (or if the erroneous data appeal is successful but the revised cohort default rate remains above the sanction level), Default Management will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submits its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

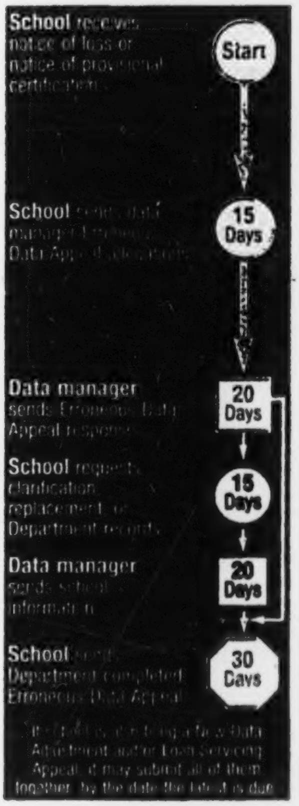
How does provisional certification affect a school's ability to submit an erroneous data appeal?

To participate in the Department's Title IV programs, a school must demonstrate that it is capable of adequately administering those programs under the standards provided in the Title IV program regulations. In order to demonstrate administrative capability, a school must meet several requirements, including the requirement that the school's three most recent official cohort default rates are each less than 25.0 percent. If the school has impaired administrative capability solely because of its official cohort default rate, the Department may provisionally certify the school.

A school that is provisionally certified solely due to its official cohort default rates can submit an erroneous data appeal

A school that is provisionally certified solely due to its official cohort default rates can submit an erroneous data appeal. If the erroneous data appeal is successful, Default Management will recalculate the school's cohort default rate using the corrected data. If as a result of the recalculation the school's three most recent cohort default rates are all less than 25.0 percent, the Department will withdraw the provisional certification.

A school must wait until it receives notice of provisional certification to submit an erroneous data appeal outside of the regular appeal process. A school should not submit an erroneous data appeal solely because it believes it may be subject to provisional certification in the future. If a school does submit an erroneous data appeal without first receiving notice of provisional certification, the erroneous data appeal will not be reviewed.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15 Days
Data manager sends Erroneous Data Appeal response
20 Days
School requests clarification, replacement, or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed Erroneous Data Appeal
30 Days
If a school is also bringing a New Data Adjustment and/or Loan Servicing Appeal, it may submit all of them together by the date the latest is due

The process for submitting an erroneous data appeal for schools that receive a notice of provisional certification is the same as it is for those schools appealing at the time of the release of the official cohort default rates except for the following differences:

- Schools subject to provisional certification are notified by Case Management, not Default Management. Case Management will notify Default Management of the provisional certification.
- The school will not automatically receive a loan record detail report with the notice of provisional certification. As a result, a school subject to provisional certification that wishes to submit an erroneous data appeal must request a copy of the school's loan record detail report within 15 calendar days of receipt of the notice of provisional certification. See Chapter 2.3, "Loan Record Detail Report," for information on requesting a loan record detail report. The time frames for submitting the erroneous data appeal based upon provisional certification are based first upon the date the school receives the notice of provisional certification and then upon the date the school receives the loan record detail report.

Within 15 calendar days after receiving the loan record detail report, the school must send its erroneous data appeal allegations to each relevant data manager and a copy to Default Management. See the section of this chapter entitled "How does a school submit erroneous data appeal allegations to a data manager?" for the process for submitting the erroneous data appeal allegations to a data manager.

Within 20 calendar days after receiving the school's erroneous data appeal allegations, the data manager must send a response to the school and a copy to Default Management. See the section of this chapter entitled "How does a data manager respond to a school's erroneous data appeal allegations?" for additional information about responding to a school's erroneous data appeal allegations.

Upon receipt of the school's erroneous data appeal allegations, the data manager should contact Default Management to obtain the date that the school received its notice of provisional certification and its loan record detail report in order to verify the timeliness of the school's submission. If the submission is not timely, or if the school has not received a notice of provisional certification, the data manager must not review any portion of the school's erroneous data appeal allegations. The data manager should send the school a letter explaining why the erroneous data appeal allegations are not being reviewed and send a copy of the letter to Default Management.

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Within 30 calendar days after receiving the last response to its erroneous data appeal allegations, the school must submit its erroneous data appeal to Default Management. If the school is submitting an erroneous data appeal for more than one cohort fiscal year, it should send the erroneous data appeals to the Department in one mailing. However, the school still needs to submit separate documentation for each erroneous data appeal. See the section of this chapter entitled "What does a school do with the data manager's erroneous data appeal allegations response?" for additional information on submitting an erroneous data appeal to Default Management.

Default Management will review only the information submitted with the erroneous data appeal and will not review information submitted after the deadline. Default Management will send the school and each involved data manager written notification of Default Management's decision. The data manager must ensure that NSLDS is correctly updated. The data manager must also ensure that its internal records are correctly updated. Default Management's decision is final and no further administrative review is provided.

If Default Management determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default calculation data is incorrect, Default Management will recalculate the cohort default rate based on the corrected data. If the erroneous data appeal is successful and the cohort default rate is recalculated below 25.0 percent, Case Management will provide the school with a Program Participation Agreement (PPA) to sign.

School to Data Manager Erroneous Data Appeal Checklist

Determine

- ☐ Does loan record detail report for the official cohort default rates contain new data or disputed data? (See page 4.5-1)
- ☐ Is the school subject to sanction (See page 4.5-2)
- ☐ Is the school subject to provisional certification based solely on the school's cohort default rate? (See page 4.5-19)

Submit to Data Manager

- ☐ Spreadsheet (See page 4.5-5)
- ☐ Relevant Pages of Loan Record Detail Report (See page 4.5-5)
- ☐ Supporting Documentation (See page 4.5-6)
- ☐ Letter (See page 4.5-6)

Data Manager to School Erroneous Data Appeal Checklist

Determine

- ☐ Is the school subject to sanction? (See page 4.5-18)
- ☐ Is the school subject to provisional certification based solely on the school's cohort default rate? (See page 4.5-20)
- ☐ Was the school submission timely? (See page 4.5-8)
- ☐ Does the data manager hold the loans? (See page 4.5-9)
- ☐ Is all the material present? (See page 4.5-9)
- ☐ Does the data manager agree or disagree with school? (See page 4.5-10)

Response to School

- ☐ Spreadsheet (See page 4.5-11)
- ☐ Supporting Documentation (See page 4.5-11)
- ☐ Letter (See page 4.5-11)

Follow-Up

- ☐ Send copy of response to Default Management (See page 4.5-12)
- ☐ Update NSLDS and internal records (if necessary) (See page 4.5-10)
- ☐ Send monthly status report to Default Management (See page 4.5-13)

School to Default Management Erroneous Data Appeal Checklist

Determine

- ☐ Did the data manager agree with any of the erroneous data appeal allegations? (See page 4.5-14)
- ☐ Does the school agree or disagree with the data manager's decision? (See page 4.5-14)
- ☐ Does the school have outstanding new data adjustment allegations or outstanding requests for loan servicing records? (See page 4.5-15)

Submit to Default Management

- ☐ Withdrawal Notice (See page 4.5-15)

OR

- ☐ Spreadsheet (See page 4.5-15)
- ☐ Supporting Documentation (See page 4.5-16)
- ☐ Copy of Data Manager Incorrect Data Challenge Response and/or Erroneous Data Appeal Response (See page 4.5-16)
- ☐ Letter (See page 4.5-16)

Loan Servicing Appeal

Chapter 4.6

What is a loan servicing appeal? 4.6-1

When is a defaulted FFEL considered improperly serviced for cohort default rate purposes? 4.6-1

When is a defaulted Direct Loan considered improperly serviced for cohort default rate purposes? 4.6-2

Which schools are eligible to submit a loan servicing appeal? 4.6-3

What benefit will a school gain from submitting a loan servicing appeal? 4.6-3

What roles do the Department and data managers have in a school's loan servicing appeal? 4.6-4

How does a school submit a request for loan servicing records? 4.6-5

How does a school identify the data manager of a loan? 4.6-6

What does a data manager do when it receives a school's request for loan servicing records? 4.6-8

What if the data manager requires that a fee be paid to obtain loan servicing records? 4.6-10

How does a data manager respond after determining that it is appropriate to send the loan servicing records? 4.6-12

Which Department address does a data manager use for submitting a copy of the response to a request for loan servicing records? 4.6-16

What does the school do with the data manager's response to the school's request for loan servicing records? 4.6-16

Which Department address does a school use for submitting a loan servicing appeal? 4.6-20

What happens after the school submits the loan servicing appeal? 4.6-20

Loan Servicing Appeal

34 CFR 668.193

What is a loan servicing appeal?

A loan servicing appeal is an appeal that alleges a school's official cohort default rate includes defaulted Federal Family Education Loans (FFELs) or William D. Ford Federal Direct Loans (Direct Loans) that are considered improperly serviced for cohort default rate purposes. For this Guide, "improperly serviced" always means "improperly serviced for cohort default rate purposes only."

Figure 4.6.1 shows the time frame for submitting a loan servicing appeal.

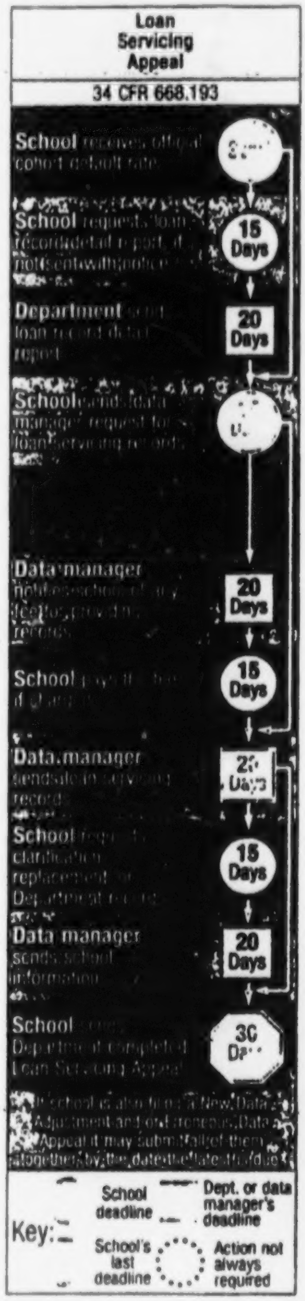
When is a defaulted FFEL considered improperly serviced for cohort default rate purposes?

A defaulted FFEL is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- The borrower never made a loan payment, and the school can document that the lender was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.
- The borrower never made a loan payment, and the school can document that the lender was required but failed to attempt at least one telephone call to the borrower.
- The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a request for pre-claims assistance or default aversion assistance to the guaranty agency.
- The borrower never made a loan payment, and the school can document that the lender was required but failed to send a final demand letter to the borrower.
- The borrower never made a loan payment, and the school can document that the lender was required but failed to submit a certification (or other documentation) to the guaranty agency to demonstrate that the lender performed skip tracing.

Figure 4.6.1

Time Frame for Submitting a Loan Servicing Appeal



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For cohort default rate purposes, skip tracing must be performed if the lender receives information before the 241st day of delinquency indicating that the borrower's address of record is incorrect. Skip tracing is not required for cohort default rate purposes if the lender has the borrower's correct address but does not have a record of the borrower's correct telephone number. (Prior to October 7, 1998, for cohort default rate purposes, performance of skip tracing had to be shown if the lender received information before the 151st day of delinquency indicating an incorrect address for the borrower.)

If the borrower makes at least one loan payment or if the lender timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

When is a defaulted Direct Loan considered improperly serviced for cohort default rate purposes?

A defaulted Direct Loan is considered improperly serviced for cohort default rate purposes if one or more of the following occur:

- The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan.
- The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to attempt at least one telephone call to the borrower.
- The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to send a final demand letter to the borrower.
- The borrower never made a loan payment, and the school can document that the Direct Loan servicer was required but failed to document that skip tracing was performed if the Direct Loan servicer determined it did not have the borrower's current address.

If the borrower makes at least one loan payment or if the Direct Loan servicer timely performs all of the above-listed activities as appropriate, the loan is considered properly serviced for cohort default rate purposes. However, servicing and collection activities performed after sending the final demand letter will not be considered when determining if a loan has been properly serviced.

Which schools are eligible to submit a loan servicing appeal?

Any school that receives an official cohort default rate may submit a loan servicing appeal if it believes that its official cohort default rate calculation includes one or more defaulted FFELs or Direct Loans that were improperly serviced for cohort default rate purposes. This includes schools that are not subject to sanction and schools that have withdrawn from the FFEL and/or Direct Loan programs.

Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

What benefit will a school gain from submitting a loan servicing appeal?

If, as a result of a loan servicing appeal (or as the result of a school's submission of any adjustment or appeal), the U.S. Department of Education's (the Department's) Default Management determines that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, Default Management will remove those loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate using the remaining data. This may lower or not affect the cohort default rate. If the school is subject to sanction and the cohort default rate is lowered below the sanction level, the school is no longer subject to that sanction. In addition, a school that would otherwise be subject to sanction in a later year may avoid being subject to that sanction.

However, even though Default Management may revise a cohort default rate, subsequent copies of the loan record detail report for the official cohort default rates will not reflect the change. Therefore, it is important for a school to keep a copy of Default Management's final determination letter as the official record of the school's revised cohort default rate.

What roles do the Department and data managers have in a school's loan servicing appeal?

A data manager is required to review a school's request for loan servicing records if the request is submitted in a timely manner and the data manager has responsibility for the loans. If a school submits a request to the wrong entity, the request will not be reviewed and the school could miss the deadline. The guarantor/servicer code on the loan record detail report identifies the data manager for a loan.

Data managers are responsible for providing loan servicing records for the loans they hold. The data manager may charge a fee not to exceed $10 per borrower file. If the data manager chooses to charge a fee, it is not required to provide the records until after the school pays the full fee in a timely manner.

The data manager must respond to the school's request within 20 calendar days. However, the data manager must not review a request for loan servicing records if the school did not timely send the request for loan servicing records or make the payment within the appropriate 15-calendar-day time frame. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

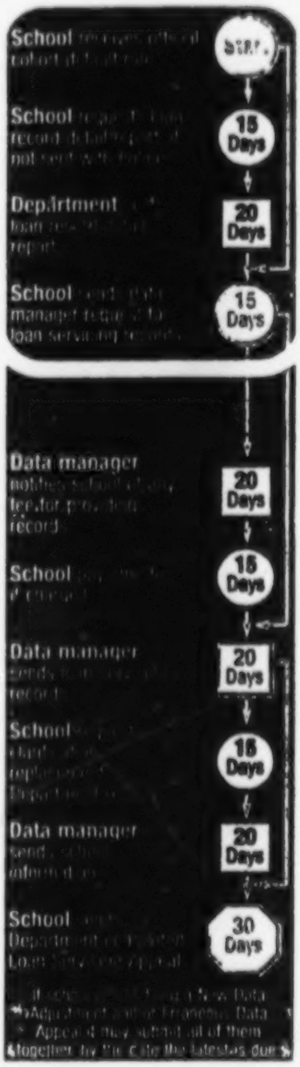
The Department has two roles in the loan servicing appeal process. The primary role is to review a school's loan servicing appeal, which is submitted to Default Management once the school has received loan servicing records from the data manager and has determined that the loans were improperly serviced for cohort default rate purposes.

The Department's other role is to respond to a school's request for loan servicing records if the Department is the data manager for the loans. The Department is the data manager for FFELs the Department holds and for all Direct Loans.

Default Management is responsible for responding to a school's request for loan servicing records for FFELs that the Department holds. These loans are primarily identified in the loan record detail report with a guarantor/servicer code of 555. See the "Alphabetical Data Manager Contacts" section in Chapter 2.6, "General Information Tools," for a listing of other codes that identify the Department as the holder of a loan.

The Department's Direct Loan servicer is responsible for responding to a school's request for loan servicing records for all Direct Loans, even those that are in default. These loans are identified in the loan record detail report with a guarantor/servicer code of 0101.

How does a school submit a request for loan servicing records?



Timing is critical when submitting a loan servicing appeal. A school begins the process by sending its request for loan servicing records to the data manager responsible for a loan within 15 calendar days of receiving the loan record detail report for the official cohort default rates.

If a school does not receive a loan record detail report for the official cohort default rates, and the school believes it may have grounds for a loan servicing appeal, it must request the loan record detail report for the official cohort default rates within 15 calendar days of receiving the official cohort default rate notification letter. See Chapter 2.3, "Loan Record Detail Report," for information on requesting a loan record detail report for the official cohort default rates.

If a school believes the official cohort default rate calculation contains a defaulted loan that was improperly serviced for cohort default rate purposes, the school should request loan servicing records from the data manager. However, a school cannot file a loan servicing appeal on a loan that is considered in default because the loan met other specified conditions.

The loan servicing records are the collection and payment history records regarding a borrower that are

- submitted to the guaranty agency by the lender and used by the guaranty agency in determining whether to pay a default claim or
- maintained by the Direct Loan servicer and used by the Direct Loan servicer in determining the cohort default rate.

A school cannot request specific loan servicing records. If the data manager holds loans for 99 or fewer borrowers from the school, the data manager will select loan servicing records for all the borrowers. If the data manager holds loans for 100 or more borrowers, the data manager will select loan servicing records for a representative sample of the borrowers. The representative sample may or may not include the specific records a school wishes to review.

If one data manager is responsible for all the loans, the school will request loan servicing records only from that data manager. However, if there are multiple data managers involved, the school must prepare separate loan servicing records requests for each data manager, listing only the loans held by each data manager. For example, a school believes the loan record detail report contains three defaulted loans that were improperly serviced for cohort default rate purposes. Two of the loans are held by one data manager; the other loan is held by a different data manager. The school must prepare two separate requests for loan servicing records, one for each data manager.

The request for loan servicing records must include the following:

- A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is requesting loan servicing records, and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Request for Loan Servicing Records." The letter must also include a notation that the school is sending a copy of the letter to Default Management. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.6.2 is a sample school letter requesting loan servicing records from a data manager.

- A copy of the entire relevant loan record detail report for the official cohort default rates being appealed.

The school must send a copy of the letter to Default Management at the same time it sends the request to the data manager. The school does not need to send copies of the loan record detail reports to Default Management at that time unless the school is requesting loan servicing records for a loan that the Department holds.

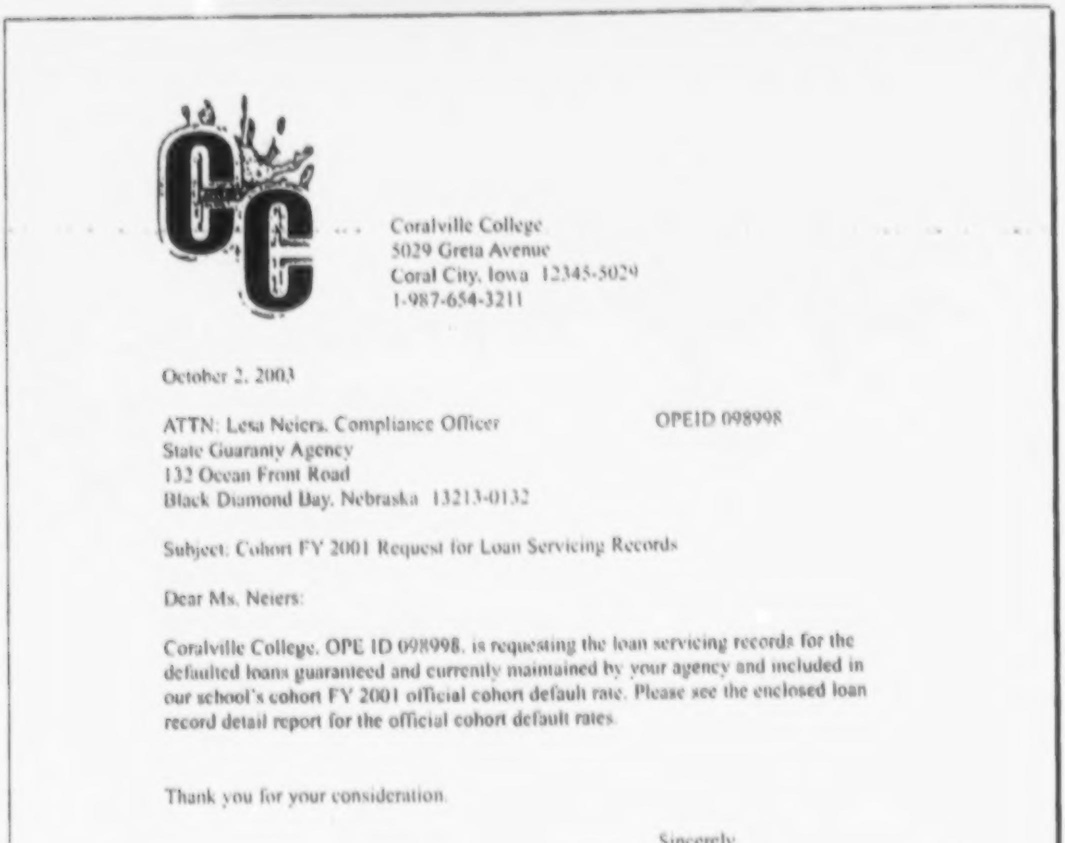
If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to the data manager and Default Management. However, the school still needs to prepare separate requests for each cohort fiscal year.

Default Management recommends that a school send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the materials as well as copies of all electronic and hardcopy documentation submitted as a part of the loan servicing appeal process. If a school does not meet the 15-calendar-day time frame for requesting loan servicing records, the request will not be reviewed.

How does a school identify the data manager of a loan?

As mentioned, the guarantor/servicer code on the loan record detail report shows the data manager responsible for a loan. A school can use this number to obtain the name and address of the data manager. See the "Numerical Data Manager Contacts" section in Chapter 2.6, "General Information Tools," for a listing of data manager codes and addresses.

Figure 4.6.2 - Sample School Letter Requesting Loan Servicing Records to Data Manager



Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029
1-987-654-3211

October 2, 2003

ATTN: Lesa Neiers, Compliance Officer
State Guaranty Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

OPEID 098998

Subject: Cohort FY 2001 Request for Loan Servicing Records

Dear Ms. Neiers:

Coralville College, OPE ID 098998, is requesting the loan servicing records for the defaulted loans guaranteed and currently maintained by your agency and included in our school's cohort FY 2001 official cohort default rate. Please see the enclosed loan record detail report for the official cohort default rates.

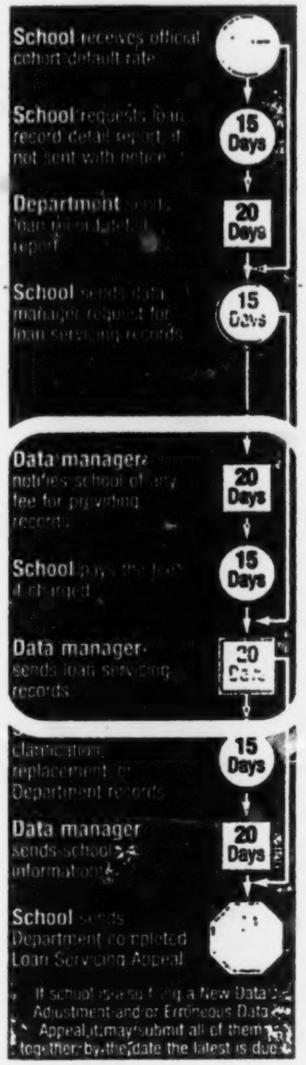
Thank you for your consideration.

Sincerely,

Serena Rooney
President, Coralville College

Enclosure

cc: U.S. Department of Education,
Default Management


School receives official cohort default rate
School requests loan record detail report, if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends data manager request for loan servicing records
15 Days
Data manager notifies school of any fee for providing records
20 Days
School pays the fee if charged
15 Days
Data manager sends loan servicing records
20 Days
clarification, replacement, or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed Loan Servicing Appeal
If school is also filing a New Data Adjustment and/or Erroneous Data Appeal, it may submit all of them together by the date the latest is due

What does a data manager do when it receives a school's request for loan servicing records?

Timing is critical when a data manager receives a school's request for loan servicing records. A data manager is required to respond to a school's timely submitted request for loan servicing records for those loans for which the entity is the data manager and send a copy of the response to Default Management. However, the data manager must not review a request for loan servicing records if the 15-calendar-day time frame for a school to submit the request for loan servicing records has expired. If the school's due date falls on a weekend or a federal holiday, a school may send its request for loan servicing records to the data manager no later than the next federal business day.

Before denying a school's request for loan servicing records on the basis of a late submission, a data manager should verify the actual date the school received its loan record detail report for the official cohort default rates from Default Management. If the school did not submit the request for loan servicing records in a timely manner, the data manager must not review any part of the request. In its response to the school, the data manager should explain that it is unable to review the request for loan servicing records because the school missed the regulatory deadline. The data manager must also send a copy of the response to Default Management.

The data manager must respond to a timely submitted request for loan servicing records within 20 calendar days of receiving the submission. If the data manager does not respond within 20 calendar days, the school should advise Default Management in writing of the delay.

If the request for loan servicing records is timely, the data manager must review the request. The data manager should determine the following:

- The data manager should determine if the request is appropriate.

  Any school may submit a loan servicing appeal for its most recent official cohort default rate. In general, schools that are subject to sanction may submit a loan servicing appeal for any official cohort default rate upon which the loss of eligibility is based. Default Management will inform data managers each cycle of this information. However, a school may not submit a loan servicing appeal for an official cohort default rate if the school previously submitted a loan servicing appeal for that official cohort default rate. Further, a school may not submit a loan servicing appeal for an official cohort default rate that was the basis, either entirely or partially, of a previous sanction.

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- The data manager should determine if the request for loan servicing records by the school is based on loans that the data manager currently holds.

  If the data manager does not hold the loans, the data manager should notify the school that the request for loan servicing records must be submitted to the appropriate data manager and remind the school that the request for loan servicing records must be submitted to the appropriate data manager within 15 calendar days of the school's receipt of its loan record detail report for the official cohort default rates.

  There will be some instances where the data manager was the former holder of the defaulted loans but those loans have been assigned to the Department and the loan record detail report for the official cohort default rates does not yet reflect the assignment. In that event, the data manager should send the school and Default Management a notice stating that the loans have been assigned to the Department. The school then has until 15 calendar days after receipt of the letter from the data manager to submit the request for loan servicing records to Default Management.

- The data manager should determine if all relevant material is present.

  See the section of this chapter entitled "How does a school submit a request for loan servicing records?" for information on the materials a school is required to submit with its request for loan servicing records. If a school fails to provide the data manager with all of the necessary information, the data manager must ask the school to submit the missing information. However, the school must submit this additional information to the data manager within the initial 15-calendar-day deadline for submitting the request for loan servicing records. If the school does not submit the additional information within the deadline, the data manager must not review the request for loan servicing records.

If the request is timely and appropriate, the data manager must determine if the data manager is required to provide loan servicing records for all of the loans or for a representative sample of the loans.

If a data manager currently holds defaulted loans associated with 99 or fewer borrowers in a school's official cohort default rate calculation, the data manager is required to provide loan servicing records associated with each defaulted loan included in the official cohort default rate calculation. Loans that are considered in default for other specified conditions are not included. If a data manager currently holds defaulted loans associated with 100 or more borrowers in a school's official cohort default rate calculation, the data manager should identify a representative sample of the borrowers and only provide the loan servicing records for those borrowers included in the representative sample.

To select a representative sample, the data manager should first identify all of its borrowers with defaulted loans in the loan record detail report for the official cohort default rate that the school is appealing. Loans that are considered in default for other specified conditions are not included. The data manager should then identify a sample that is large enough such that the estimate derived from the sample is acceptable at a 95 percent confidence level with a plus or minus 5 percent confidence interval. The data manager is required to supply servicing records for each defaulted loan that is associated with a borrower included in the sample.

The Department has provided guidance to guaranty agencies on how to determine a representative sample. Guaranty agencies should refer to the Dear Guaranty Agency Director letter dated June 1994 for information on determining appropriate sample sizes. A copy of the Dear Guaranty Agency Director letter can be obtained by contacting Default Management at 1-202-708-9396.

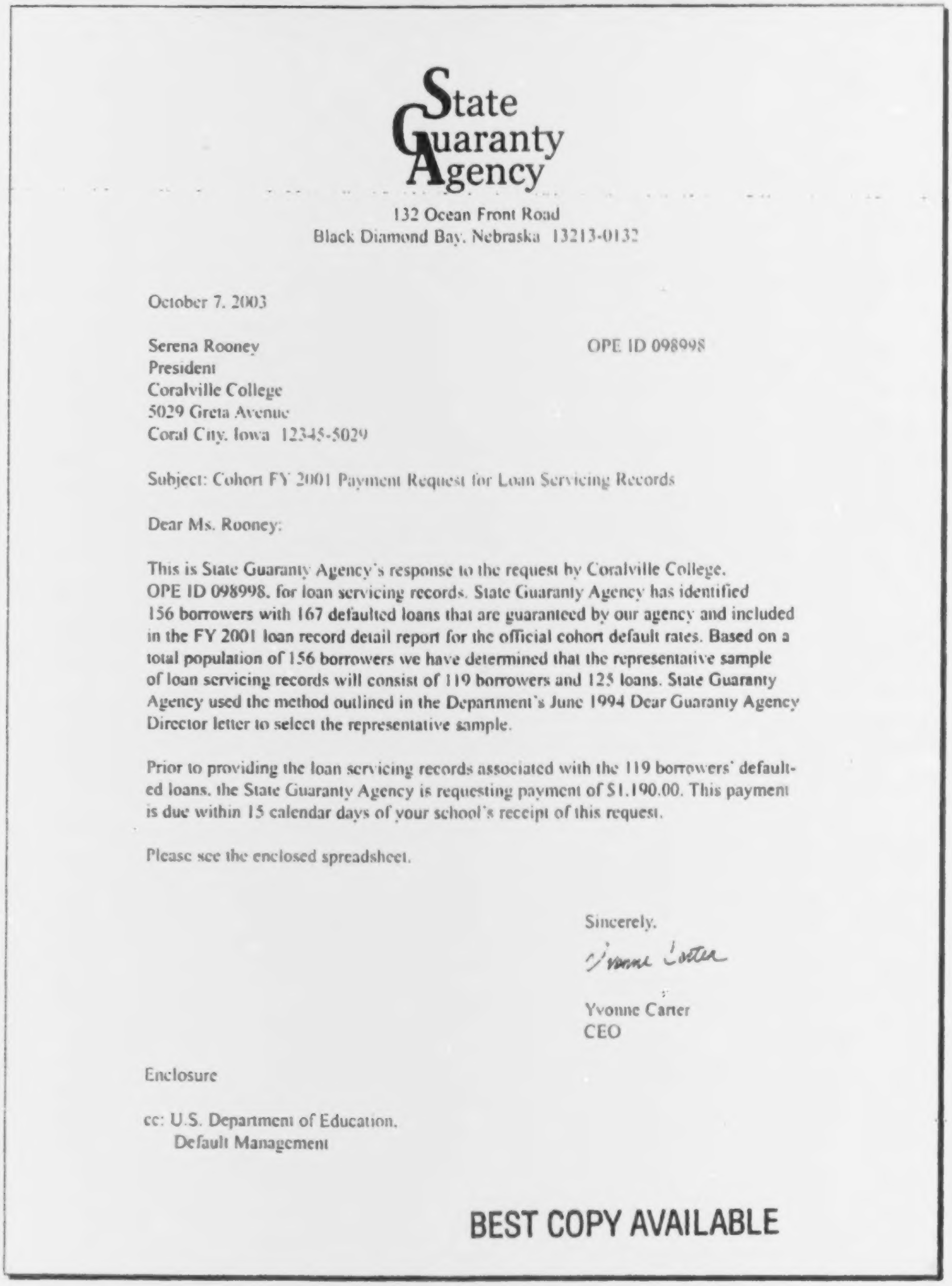
If a data manager is required to provide loan servicing records for a representative sample, a school may not request loan servicing records for specific loans. If a school requests loan servicing records for specific loans, the data manager should inform the school that, because the data manager is supplying loan servicing records for a representative sample of loans, the specific loan servicing records the school requests may or may not be provided.

What if the data manager requires that a fee be paid to obtain loan servicing records?

Timing is critical when requesting a fee for loan servicing records. If the data manager charges a fee, the data manager must send the school a request for payment and send Default Management a copy of the payment request within 20 calendar days of receiving the request for loan servicing records. The fee may not exceed $10 per borrower file.

Figure 4.6.3 is a sample payment request for loan servicing records letter. The letter must include a description of the method used to select the representative sample. The data manager must also send

Figure 4.6.3 - Sample Data Manager Payment Request for Loan Servicing Records Letter to School



State
Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

October 7, 2003

Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2001 Payment Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in the FY 2001 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers we have determined that the representative sample of loan servicing records will consist of 119 borrowers and 125 loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Prior to providing the loan servicing records associated with the 119 borrowers' defaulted loans, the State Guaranty Agency is requesting payment of $1,190.00. This payment is due within 15 calendar days of your school's receipt of this request.

Please see the enclosed spreadsheet.

Sincerely,

Yvonne Carter

Yvonne Carter
CEO

Enclosure

cc: U.S. Department of Education,
Default Management

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the school a list, in Social Security Number (SSN) order, of the borrowers included in the sample and the number of defaulted loans belonging to each borrower found in the loan record detail report for the official cohort default rates.

The school should send a notice along with its payment. The notice may be modeled on Figure 4.6.2, the sample loan servicing records request letter.

If the school does not make payment in full within 15 calendar days of receiving the request for payment, the data manager must notify the school and Default Management that payment in full was not timely received and that the school has waived its right to receive loan servicing records from that data manager.

How does a data manager respond after it determines that it is appropriate to send the loan servicing records?

Timing is critical when sending loan servicing records. Within 20 calendar days of receiving a request for loan servicing records (if the data manager does not charge a fee for loan servicing records) or 20 calendar days of receiving payment (if the data manager charges a fee for the loan servicing records), the data manager must send the loan servicing records to the school.

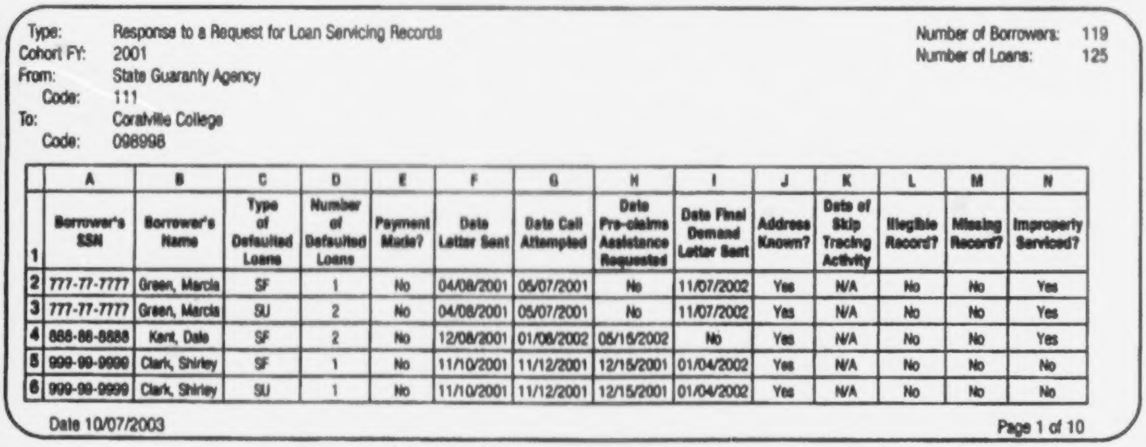
When sending the school loan servicing records, the data manager response should include the following:

- A spreadsheet of the borrowers included in the representative sample and the defaulted loans for each borrower or an alternative method that provides the required information.

  Figure 4.6.4 is a sample data manager loan servicing appeal response spreadsheet to a school. The instructions for creating

[illegible]

Sample Data Manager Response to a Request for Loan Servicing Records Spreadsheet to School



Type: Response to a Request for Loan Servicing Records
Cohort FY: 2001
From: State Guaranty Agency
Code: 111
To: Coralville College
Code: 098998

Number of Borrowers: 119
Number of Loans: 125

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Borrower's SSN	Borrower's Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Record?	Missing Record?	Improperly Serviced?
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2001	01/08/2002	05/15/2002	No	Yes	N/A	No	No	Yes
5	999-99-9999	Clark, Shirley	SF	1	No	11/10/2001	11/12/2001	12/15/2001	01/04/2002	Yes	N/A	No	No	No
6	999-99-9999	Clark, Shirley	SU	1	No	11/10/2001	11/12/2001	12/15/2001	01/04/2002	Yes	N/A	No	No	No

Date 10/07/2003

Page 1 of 10

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and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

The only information a data manager is required to provide is in columns A-D of the sample data manager loan servicing appeal response spreadsheet. Although columns E-N of the sample data manager loan servicing appeal response spreadsheet are completed, a data manager is not required to complete these columns. However, a data manager may choose to complete the spreadsheet in order to assist a school. The data manager may also use an alternative method to assist a school.

- Copies of all loan servicing records relating to loans included in the representative sample (or, if the total number of defaulted borrowers is less than 100, copies of loan servicing records for each defaulted borrower).

- A letter on the data manager's letterhead with the school's name and OPE ID number.

The letter must indicate that the data manager is responding to the school's request for loan servicing records and the cohort fiscal years to which the request applies. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the appeal] Loan Servicing Records Response." The letter must state the total number of defaulted borrowers in the official cohort default rate calculation with loans serviced by the data manager and the total number of borrowers and loans for which loan servicing records are provided. If the data manager sends a representative sample, the letter must state the method used to determine the sample. The letter must also include a statement that a copy of the letter and the list of borrowers have been sent to Default Management. The responsible data manager official must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

Figure 4.6.5 is a sample data manager response to a request for loan servicing records letter.

The data manager then sends its response to the school. The data manager must also send a copy of the letter and a copy of the list of borrowers to Default Management. The data manager does not need to send copies of the loan servicing records to Default Management.

If the school submitted requests for loan servicing records for multiple cohort fiscal years, the data manager should prepare separate responses for each cohort fiscal year. However, the data manager should send the separate responses to the school and Default Management in the same mailing.

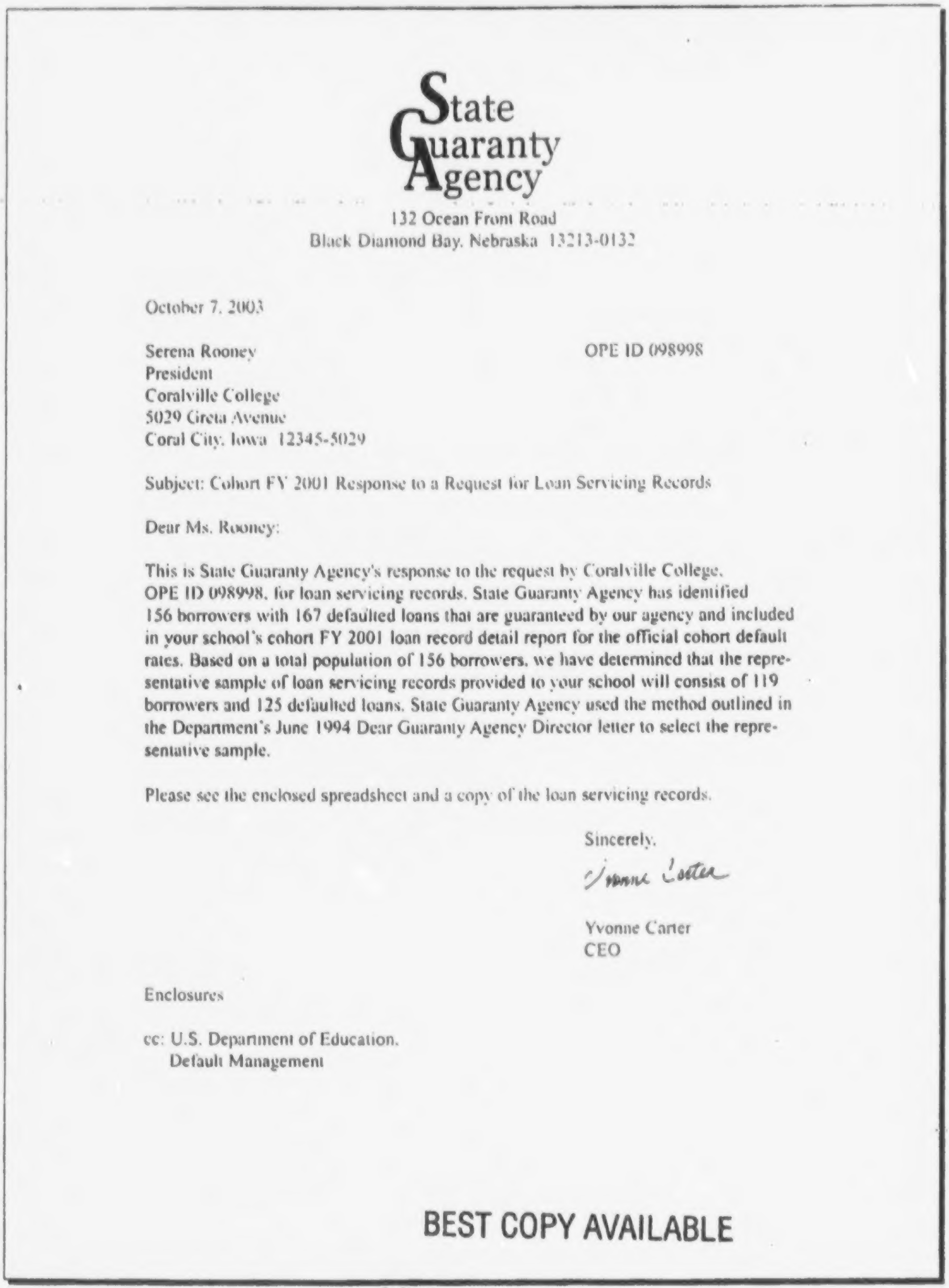
If a data manager is unable to respond within 20 calendar days of receiving the school's request for loan servicing records, it should send the school a letter on its official letterhead explaining the circumstances causing the delay, telling the school when it will respond, and indicating that Default Management has been informed of the delay.

If a data manager can respond to only a portion of a school's request for loan servicing records within 20 calendar days, it should hold that portion of the response until it can provide a response to all of the school's request. The data manager should send a letter to the school and Default Management that provides the information outlined above.

A data manager can assist schools in reading the collection history by identifying the relevant collection activities for each loan. This may be done by completing the records portion of the loan servicing spreadsheet as shown in Figure 4.6.4, by highlighting the collection activities in the actual collection records provided to the school, or by creating a summary sheet outlining the abbreviation/codes associated with specific collection activities.

Within 15 days of receiving the loan servicing records, a school may request replacement records for missing or illegible records from the data manager. The data manager has 20 calendar days to respond. The data manager must either replace the missing or illegible records or notify the school and Default Management in writing that no additional or improved copies are available.

Figure 4.6.5 - Sample Data Manager Response to a Request for Loan Servicing Records Letter to School



State
Guaranty
Agency
132 Ocean Front Road
Black Diamond Bay, Nebraska 13213-0132

October 7, 2003

Serena Rooney
President
Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029

OPE ID 098998

Subject: Cohort FY 2001 Response to a Request for Loan Servicing Records

Dear Ms. Rooney:

This is State Guaranty Agency's response to the request by Coralville College, OPE ID 098998, for loan servicing records. State Guaranty Agency has identified 156 borrowers with 167 defaulted loans that are guaranteed by our agency and included in your school's cohort FY 2001 loan record detail report for the official cohort default rates. Based on a total population of 156 borrowers, we have determined that the representative sample of loan servicing records provided to your school will consist of 119 borrowers and 125 defaulted loans. State Guaranty Agency used the method outlined in the Department's June 1994 Dear Guaranty Agency Director letter to select the representative sample.

Please see the enclosed spreadsheet and a copy of the loan servicing records.

Sincerely,

Yvonne Carter

Yvonne Carter
CEO

Enclosures

cc: U.S. Department of Education,
Default Management

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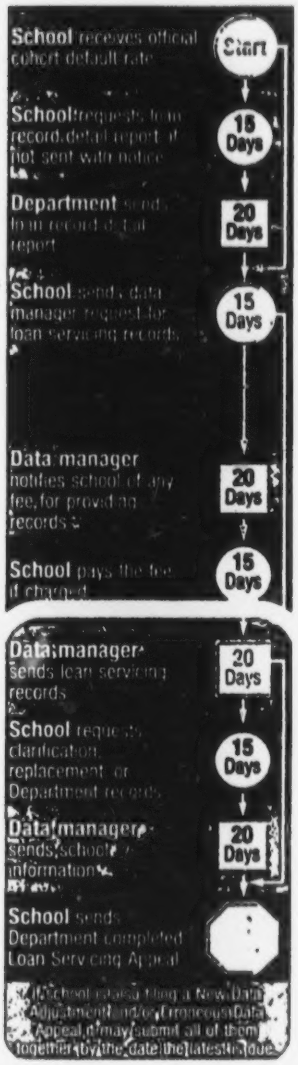
School receives official cohort default rate
Start
School requests loan record detail report if not sent with notice
15 Days
Department sends loan record detail report
20 Days
School sends data manager request for loan servicing records
15 Days
Data manager notifies school of any fee for providing records
20 Days
School pays the fee if charged
15 Days
Data manager sends loan servicing records
20 Days
School requests clarification, replacement or Department records
15 Days
Data manager sends school information
20 Days
School sends Department completed Loan Servicing Appeal
If school is also filing a New Data Adjustment and/or Erroneous Data Appeal, it may submit all of them together by the date the latest is due

Which Department address does a data manager use for submitting a copy of the response to a request for loan servicing records?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A data manager should not send a response to a request for loan servicing records to any other addresses at the Department.

Default Management recommends that a data manager send all correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a data manager if it is asked to authenticate the timeliness of its response. A data manager should maintain the documentation that verifies the receipt of the response to the request for loan servicing records as well as all other electronic and hardcopy documentation submitted as a part of the loan servicing appeal process.

The data manager can use this information when submitting monthly status reports to Default Management. For additional information on monthly status reports, see Chapter 3.2, "Data Manager Strategies."

What does the school do with the data manager's response to the school's request for loan servicing records?

Timing is critical for schools after receiving loan servicing records. The school must review the loan servicing records and determine how it will proceed. If the school receives a data manager summary of the information in the loan servicing records, the school should still review the records to ensure that the summary is accurate. If a school finds that a record identified as part of the representative sample is missing or illegible, the school may request replacement records from the data manager. The school has 15 calendar days to request the missing and/or illegible records. The data manager has 20 calendar days to respond to the request. The data manager must either replace the missing and/or illegible records or notify the school and Default Management in writing that no additional or improved copies are available.

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Within 30 calendar days of receiving the last response to all of the school's requests for loan servicing records, the school must decide how to proceed and prepare a response to Default Management accordingly. If the records indicate that there are no improperly serviced loans for cohort default rate purposes in the school's official cohort default rate calculation, the school should notify Default Management that the school is withdrawing the appeal.

If the records indicate that there are improperly serviced loans for cohort default rate purposes included in the school's official cohort default calculation, the school should submit a loan servicing appeal to Default Management. The school must submit the loan servicing appeal within 30 calendar days of receiving the last response to its request for loan servicing records with the following exception: If the school is submitting the loan servicing appeal to Default Management along with a timely new data adjustment and/or a timely erroneous data appeal, the school may submit all materials by the later of

- within 30 calendar days of receipt of the last response to all of the school's new data adjustment allegations,
- within 30 calendar days of receipt of the last response to all of the school's erroneous data appeal allegations, or
- within 30 calendar days of receipt of the last response to all of the school's requests for loan servicing records.

If the school does not submit the loan servicing appeal in a timely manner, Default Management will not review the loan servicing appeal and will return all loan servicing appeal materials to the school. If a school is submitting a loan servicing appeal for multiple cohort default rates, it should submit all the loan servicing appeals in the same mailing to Default Management. However, the school still needs to submit separate documentation for each loan servicing appeal.

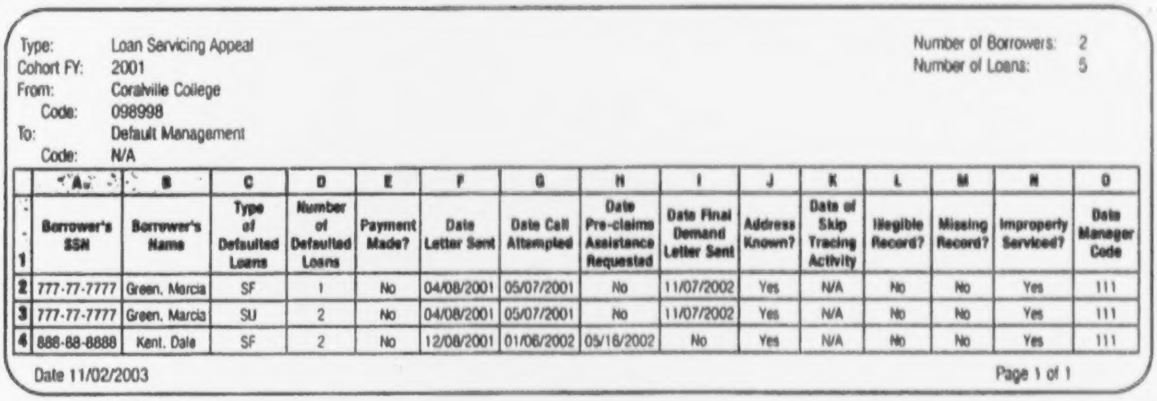
The school must submit to Default Management the following:

- Copies of the data manager responses to the school's requests for records.
- A spreadsheet that lists the allegations.

Figure 4.6.6 is a sample school loan servicing appeal spreadsheet to Default Management. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.6.6

Sample School Loan Servicing Appeal Spreadsheet to Default Management



Type: Loan Servicing Appeal
Cohort FY: 2001
From: Coralville College
Code: 098998
To: Default Management
Code: N/A

Number of Borrowers: 2
Number of Loans: 5

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Borrower's SSN	Borrower's Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Record?	Missing Record?	Improperly Serviced?	Data Manager Code
2	777-77-7777	Green, Marcia	SF	1	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes	111
3	777-77-7777	Green, Marcia	SU	2	No	04/08/2001	05/07/2001	No	11/07/2002	Yes	N/A	No	No	Yes	111
4	888-88-8888	Kent, Dale	SF	2	No	12/08/2001	01/06/2002	05/16/2002	No	Yes	N/A	No	No	Yes	111

Date 11/02/2003

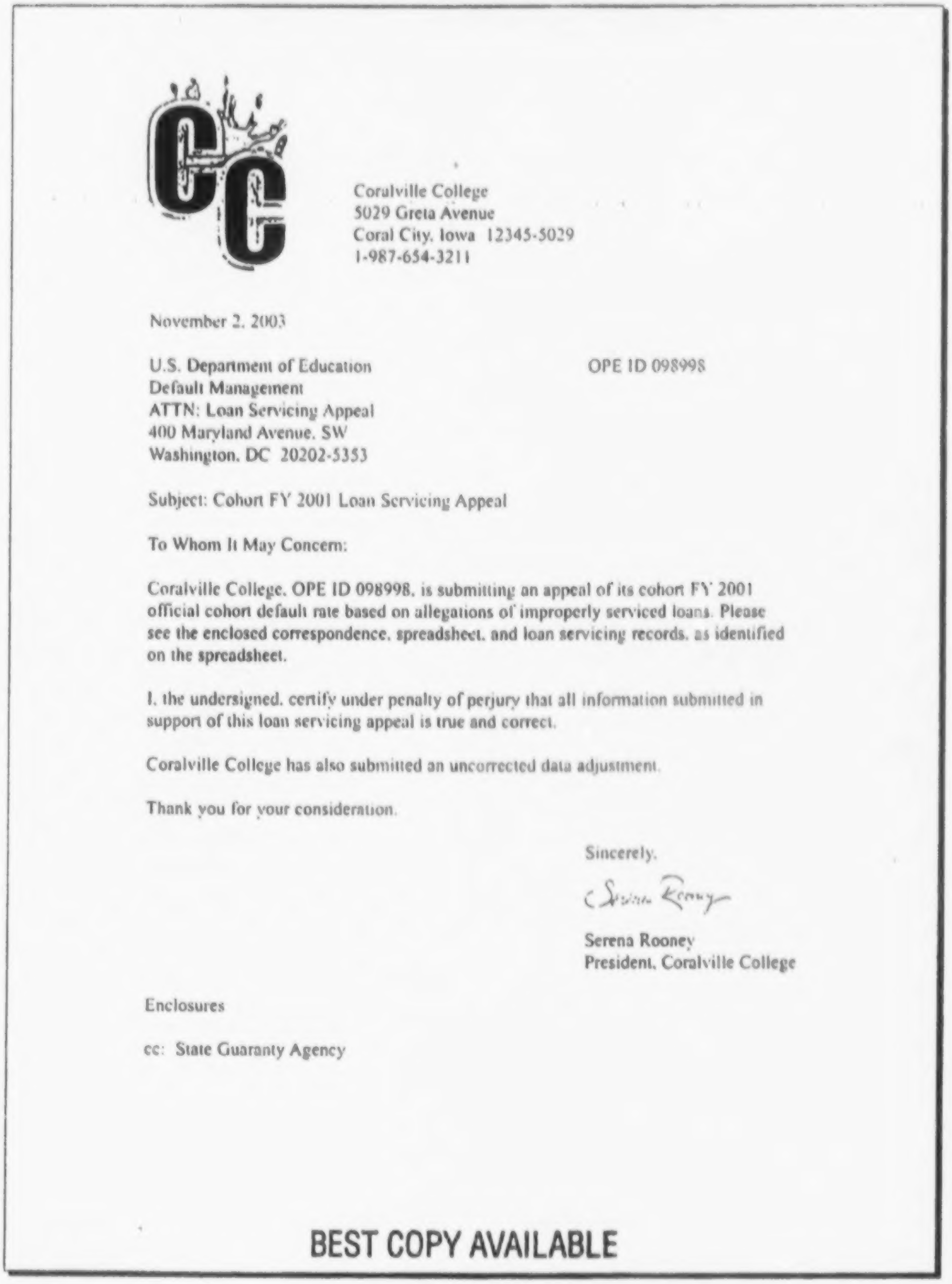
Page 1 of 1

If the school receives a completed spreadsheet from a data manager, the school is still responsible for reviewing the loan servicing records and ensuring that the information the data manager listed on the spreadsheet is correct. The school should remove any loans that were properly serviced for cohort default rate purposes from the spreadsheet before sending the spreadsheet to Default Management. For example, compare Figure 4.6.6 to Figure 4.6.4. In Figure 4.6.6, borrower Shirley Clark has been removed because her loans were properly serviced for cohort default rate purposes.

- Copies of the loan servicing records. The school should not send loan servicing records for loans that were properly serviced for cohort default rate purposes.
- A letter on the school's letterhead.

Figure 4.6.7 is a sample school loan servicing appeal letter to Default Management. The letter must include the school's OPE ID number, a statement indicating that the school is submitting a loan servicing appeal, and a reference to the applicable cohort fiscal years to which the loan servicing appeal applies. The letter

Figure 4.6.7 - Sample School Loan Servicing Appeal Letter to Default Management



Coralville College
5029 Greta Avenue
Coral City, Iowa 12345-5029
1-987-654-3211

November 2, 2003

U.S. Department of Education
Default Management
ATTN: Loan Servicing Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 098998

Subject: Cohort FY 2001 Loan Servicing Appeal

To Whom It May Concern:

Coralville College, OPE ID 098998, is submitting an appeal of its cohort FY 2001 official cohort default rate based on allegations of improperly serviced loans. Please see the enclosed correspondence, spreadsheet, and loan servicing records, as identified on the spreadsheet.

I, the undersigned, certify under penalty of perjury that all information submitted in support of this loan servicing appeal is true and correct.

Coralville College has also submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

Serena Rooney

Serena Rooney
President, Coralville College

Enclosures

cc: State Guaranty Agency

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must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal years being used in the loan servicing appeal] Loan Servicing Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to Default Management. Finally, there must be a notation that the school is sending a copy of the letter and the spreadsheet to the data managers of the relevant loans. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title.

If a school that is subject to sanction is submitting requests for loan servicing records for multiple official cohort default rates, the school should submit all the requests in the same mailing to Default Management and the data manager. However, the school still needs to prepare separate requests for each cohort fiscal year.

Which Department address does a school use for submitting a loan servicing appeal?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send loan servicing appeal materials to any other addresses at the Department.

Default Management recommends that a school send all loan servicing appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the loan servicing appeal as well as all electronic and hardcopy documentation submitted as a part of the loan servicing appeal process. If a school does not meet the time frame for submitting a loan servicing appeal, the loan servicing appeal will not be reviewed.

What happens after the school submits the loan servicing appeal?

Default Management will review only the information submitted with the loan servicing appeal and will not review information submitted after the deadline. Default Management will send the school and each involved data manager written notification of Default Management's decision. Default Management's decision is final and no further administrative review is provided.

If Default Management determines, using the standard of review described in 34 CFR 668.189(f), that a school's official cohort default rate calculation includes defaulted loans that were improperly serviced for cohort default rate purposes, Default Management will remove the loans (or, if applicable, a valid statistical projection of the total number of borrowers who defaulted due to improper loan servicing) from the cohort default rate calculation and will recalculate the cohort default rate based on the remaining data.

If the school was notified that it was subject to sanction and the loan servicing appeal is successful and the revised cohort default rate is below the sanction level, Default Management will withdraw that sanction notice. If the school was notified that it was subject to sanction and the loan servicing appeal is unsuccessful (or if the loan servicing appeal is successful but the revised cohort default rate remains above the sanction level), and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of that sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

School to Data Manager Loan Servicing Appeal Checklist

Determine
- ☐ Does the loan record detail report for the official cohort default rates contain defaulted loans that were improperly serviced for cohort default rate purposes? (See page 4.6-1)

Submit to Data Manager
- ☐ Loan Record Detail Report (See page 4.6-6)
- ☐ Letter (See page 4.6-6)
- ☐ Fee for Loan Servicing Records (if required) (See page 4.6-12)

Data Manager to School Loan Servicing Appeal Checklist

Determine

- ☐ Was the school submission timely? (See page 4.6-8)
- ☐ Does the data manager hold the loans? (See page 4.6-9)
- ☐ Is all the material present? (See page 4.6-9)
- ☐ Does data manager hold more than 99 loans for school? (See page 4.6-9)
- ☐ If so, what is a representative sample of the loans? (See page 4.6-10)
- ☐ Is there a fee for the loan servicing records and, if so, how much is it? (See page 4.6-10)
- ☐ Has the school paid the fee for loan servicing records (if required)? (See page 4.6-12)

Response to School

- ☐ Request for fee (See page 4.6-10)

OR

- ☐ Spreadsheet (See page 4.6-12)
- ☐ Loan Servicing Records (See page 4.6-13)
- ☐ Letter (See page 4.6-13)

Follow-Up

- ☐ Send copy of response to Default Management (See page 4.6-14)
- ☐ Send monthly status report to Default Management (See page 4.6-16)

School to Default Management Loan Servicing Appeal Checklist

Determine

- ☐ Do loan servicing records show that the loan record detail report for the official cohort default rates contains loans that were improperly serviced for cohort default rate purposes? (See page 4.6-17)
- ☐ Does the school have outstanding new data adjustment allegations or erroneous data appeal allegations? (See page 4.6-17)

Submit to Default Management

- ☐ Withdrawal Notice (See page 4.6-17)

OR

- ☐ Copy of Data Manager Loan Servicing Appeal Response (See page 4.6-18)
- ☐ Spreadsheet (See page 4.6-18)
- ☐ Copy of Loan Servicing Records (See page 4.6-18)
- ☐ Letter (See page 4.6-18)

Economically Disadvantaged Appeal

Chapter 4.7

What is an economically disadvantaged appeal? 4.7-1

What benefit will a school gain from submitting an economically disadvantaged appeal? 4.7-1

Are economically disadvantaged appeals based on a specific period of time? 4.7-2

How does a school calculate its low income rate? 4.7-3

How does a non-degree-granting school calculate its placement rate? 4.7-4

How does a degree-granting school calculate its completion rate? 4.7-6

Does a school need to wait until it receives a notice of loss of eligibility to calculate its low income rate and placement rate or low income rate and completion rate? 4.7-8

How does a school submit an economically disadvantaged appeal? 4.7-8

Which Department address does a school use for submitting an economically disadvantaged appeal? 4.7-12

How does an independent auditor review the management's written assertion? 4.7-12

What happens after the school submits the independent auditor's written opinion? 4.7-16

What roles do data managers have in a school's economically disadvantaged appeal? 4.7-18

Economically Disadvantaged Appeal

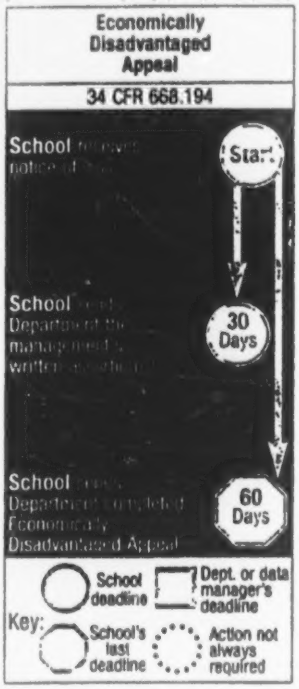
34 CFR 668.194

What is an economically disadvantaged appeal?

An economically disadvantaged appeal alleges that a school should not be subject to sanction because it has a high number of low income students. There are two types of economically disadvantaged appeals: an economically disadvantaged appeal based on low income rate and placement rate and an economically disadvantaged appeal based on low income rate and completion rate.

Figure 4.7.1

Time Frame for Submitting an Economically Disadvantaged Appeal


Economically Disadvantaged Appeal
34 CFR 668.194
School receives notice of
Start
School sends Department the management's written
30 Days
School sends Department completed Economically Disadvantaged Appeal
60 Days
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required

The type of economically disadvantaged appeal a school may submit depends on whether the school is a non-degree-granting school or a degree-granting school. For an economically disadvantaged appeal to be successful, a non-degree-granting school must submit an independent auditor's written opinion that

- the school's low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- the school's placement rate (generally, the percentage of students who became employed in the occupation for which the school trained them) is 44 percent or more.

For an economically disadvantaged appeal to be successful, a degree-granting school must submit an independent auditor's written opinion that

- the school's low income rate (generally, the percentage of students with low incomes) is two-thirds or more and
- the school's completion rate (generally, the percentage of students who completed their program) is 70 percent or more.

Figure 4.7.1 shows the time frame for submitting an economically disadvantaged appeal.

What benefit will a school gain from submitting an economically disadvantaged appeal?

If an economically disadvantaged appeal is successful, the school is exempt from sanctions based on that cohort default rate until the next official cohort default rates are released. However, a successful economically disadvantaged appeal does not change a school's official cohort default rate.

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Are economically disadvantaged appeals based on a specific period of time?

The school must base the economically disadvantaged appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the economically disadvantaged appeal. The time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Figure 4.7.2

Date Ranges for Acceptable 12-Month Periods

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
FY 1999	10/01/1998	04/02/1997 - 10/01/1997	04/01/1998 - 09/30/1998
FY 2000	10/01/1999	04/02/1998 - 10/01/1998	04/01/1999 - 09/30/1999
FY 2001	10/01/2000	04/02/1999 - 10/01/1999	04/01/2000 - 09/30/2000
FY 2002	10/01/2001	04/02/2000 - 10/01/2000	04/01/2001 - 09/30/2001
FY 2003	10/01/2002	04/02/2001 - 10/01/2001	04/01/2002 - 09/30/2002
FY 2004	10/01/2003	04/02/2002 - 10/01/2002	04/01/2003 - 09/30/2003
FY 2005	10/01/2004	04/02/2003 - 10/01/2003	04/01/2004 - 09/30/2004

Figure 4.7.2 is a chart that can be used to determine an acceptable 12-month period. To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column. Figure 4.7.3 shows an acceptable and some unacceptable 12-month periods for cohort FY 2001.

Figure 4.7.3

Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001

12-Month Period	Status	Reason
04/02/1999-04/01/2000	Acceptable	Starts within acceptable range; ends 12 months later within acceptable range
04/02/1999-04/02/2000	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/1999-03/31/2000	Unacceptable	Starts and ends outside acceptable range

A school can select the most beneficial 12-month period available

A school can select the most beneficial 12-month period available. In other words, a non-degree-granting school can identify the acceptable 12-month period with the highest low income rate and the highest placement rate. Similarly, a degree-granting school can identify the acceptable 12-month period with the highest low income rate and the highest completion rate.

If a school selects an unacceptable 12-month period, the U.S. Department of Education's (the Department's) Default Management will not review any portion of the school's economically disadvantaged appeal and the economically disadvantaged appeal will be denied and returned to the school. A school may contact Default Management at 1-202-708-9396 to discuss whether the school has selected an acceptable 12-month period.

How does a school calculate its low income rate?

After selecting the 12-month period, the school determines the number of students who were enrolled in an eligible Title IV program during any part of the 12-month period. To be included in the calculation, the student must have been enrolled at least half-time and enrolled at least one day during any part of the selected 12-month period. The school then determines the number of these students who are considered low income students.

A student is considered to be a low income student if

- for an award year that overlaps the selected 12-month period, the student has an expected family contribution (EFC) that is equal to or less than the largest EFC that would allow a student to receive one-half of the maximum Federal Pell Grant award, regardless of the student's enrollment status or cost of attendance, or
- for a calendar year that overlaps the selected 12-month period, the student has an adjusted gross income (AGI) that, when added to the AGI of the student's parents (if the student is a dependent student) or the student's spouse (if the student is a married independent student), is less than the amount listed in the Department of Health and Human Services (HHS) poverty guidelines for the size of the student's family unit, which can be found on the HHS website at

  http://aspe.os.dhhs.gov/poverty/poverty.htm

An award year begins on July 1 of one year and ends on June 30 of the following year. A calendar year begins on January 1 and ends on December 31.

To determine the low income rate, the school divides the number of low income students enrolled at least half-time in an eligible program during any part of the selected 12-month period (the numerator) by the total number of students enrolled at least half-time in an eligible program during any part of the selected 12-month period (the denominator). The result is the low income rate.

Low income students enrolled at least half-time in an eligible program during any part of the selected 12-month period ÷ Total regular students enrolled at least half-time in an eligible program during any part of the selected 12-month period = Low Income Rate

In order for the economically disadvantaged appeal to be successful, the low income rate must be at least two-thirds.

For example, a school had a total of 200 regular students enrolled at least half-time in an eligible program and enrolled at least one day during the selected 12-month period. Of those, 80 were eligible to receive at least one-half of the maximum Federal Pell Grant and 60 others were below the poverty level. Therefore, a total of 140 students are considered low income. The school's low income rate is calculated as follows:

$$140\ \text{low income students} \div 200\ \text{regular students} = 70.0\ \text{percent low income rate}$$

How does a non-degree-granting school calculate its placement rate?

As mentioned, only non-degree-granting schools can submit an economically disadvantaged appeal based on the school's low income rate and placement rate. Degree-granting schools can only submit an economically disadvantaged appeal based on the school's low income rate and completion rate. For information on calculating a completion rate, see the section of this chapter entitled "How does a degree-granting school calculate its completion rate?"

When calculating placement rates, a school must use the same selected 12-month period it used in calculating its low income rate. The school first determines the denominator, which is the number of former students initially enrolled at least half-time in an eligible Title IV program who meet the following criteria:

- The student was originally scheduled to complete his or her program during the selected 12-month period. The student's actual last date of attendance does not need to fall within the selected 12-month period.

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The date a student was originally scheduled to complete is based on the student's initial enrollment status. For a student who was initially enrolled full-time, the date is based on the amount of time specified in the school's enrollment contract, catalog, or other materials for a full-time student to complete the program. For a student who was initially enrolled less than full-time, the date is based on the amount of time specified by the school for the student to complete the program if the student remained enrolled in that enrollment status throughout the program.

- The student was enrolled in the program beyond the point at which he or she would have received a 100 percent tuition refund. A student who withdrew before the point at which he or she would have received a 100 percent tuition refund is not included in the calculation.

These "former students" are included in the placement rate. A student is not included in the placement rate if, on the date that is one year after the student's originally scheduled completion date, he or she is still enrolled in the same program and is making satisfactory progress.

After determining the number of "former students" (the denominator), the school then determines the numerator, which is the number of these "former students" who have been placed in jobs for which the school provided training. A student is considered a placed student if the student meets one of the following three criteria:

- The student was employed on the date that is one year and one day after the student's last date of attendance at the school in an occupation for which the school provided training. For example, if the student's last date of attendance was August 31, the date that is one year and one day after the student's last date of attendance is September 1 of the following year. A student is not considered successfully placed if the school was the employer.

- The student was employed for at least 13 weeks (91 days) between the date the student first enrolled and the date that is one year and one day after the student's last date of attendance at the school in an occupation for which the school provided training. A student's employment while in school can be considered as long as the employment was in an occupation for which the school was providing training to the student. A student is not considered successfully placed if the school was the employer.

- The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

These are the "placed students" (the numerator).

The school then divides the number of "placed students" (the numerator) by the total number of "former students" (the denominator). The result is the placement rate.

Placed Students ÷ Former Students = Placement Rate

In order for the appeal to be successful, the placement rate must be at least 44.0 percent.

For example, a school had a total of 50 "former students." Of those, 17 met the first criteria (employed on the date one year and one day after the last date of attendance), 6 met the second criteria (employed for 13 weeks), and 2 met the third criteria (Armed Services). Therefore, the school has a total of 25 "placed students." The school's placement rate is calculated as follows:

$$25\,{}^{\text{placed}}_{\text{students}} \div 50\,{}^{\text{former}}_{\text{students}} = 50.0_{\text{percent}}\,{}^{\text{placement}}_{\text{rate}}$$

How does a degree-granting school calculate its completion rate?

As mentioned, only degree-granting schools can submit an economically disadvantaged appeal based on the school's low income rate and completion rate. Non-degree-granting schools can only submit an economically disadvantaged appeal based on the school's low income rate and placement rate. For information on calculating a placement rate, see the section of this chapter entitled "How does a non-degree-granting school calculate its placement rate?"

When calculating completion rates, a school must use the same selected 12-month period it used in calculating its low income rate. The school first determines the denominator, which is the number of regular students initially enrolled on a full-time basis in a Title IV eligible program who were originally scheduled to complete their programs during the selected 12-month period. The date a student was originally scheduled to complete is based on the amount of time specified in the school's enrollment contract, catalog, or other materials for a full-time student to complete the program. A student's actual last date of attendance does not need to fall within the selected 12-month period.

After determining the number of "regular students" (the denominator), the school then determines the numerator, which is the number of "regular students" who completed their program. A student is considered to have completed a program if the student meets one of the following four criteria:

- The student completed the educational program in which he or she was enrolled.
- The student transferred to a higher-level program at another school.
- The student remained enrolled and was making satisfactory academic progress at the end of the selected 12-month period.
- The student entered active duty in the U.S. Armed Forces within one year after his or her last date of attendance at the school.

These are the "completed students" (the numerator).

The school then divides the "completed students" (the numerator) by the total number of "regular students" (the denominator). The result is the completion rate.

Completed Students ÷ Regular Students = Completion Rate

In order for the appeal to be successful, the completion rate must be at least 70.0 percent.

For example, a school had a total of 50 "regular students." Of those, 17 met the first criteria (completed the program in which they were enrolled), 12 met the second criteria (transferred to a higher-level program), 8 met the third criteria (still enrolled and making satisfactory academic progress), and 2 met the fourth criteria (Armed Services). Therefore, the school had a total of 39 "completed students." The school's completion rate is calculated as follows:

39 completed students ÷ 50 total students = 78.0 percent completion rate

Does a school need to wait until it receives a notice of loss of eligibility to calculate its low income rate and placement rate or low income rate and completion rate?

It is important to note that a school does not need to wait until receiving the notice of loss of eligibility to begin preparing materials to submit as part of its management's written assertion. If the school believes that it will be subject to sanction after release of the official cohort default rates, and the school believes that it should not be subject to sanction because of its low income rate and placement rate or because of its low income rate and completion rate, the school should calculate its low income rate and placement rate or low income rate and completion rate in advance of the release of the official cohort default rates.

How does a school submit an economically disadvantaged appeal?

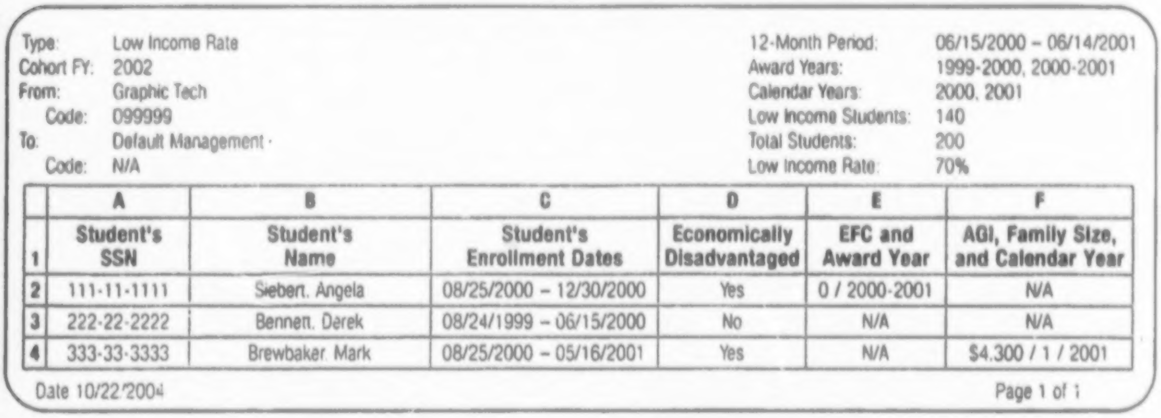
Timing is critical when submitting an economically disadvantaged appeal. Within 30 calendar days of receiving the school's notice of loss of eligibility, the school must determine if it is eligible to submit an economically disadvantaged appeal and, if so, submit its management's written assertion to Default Management. Within 60 calendar days of receiving the school's notice of loss of eligibility, the school must submit an independent auditor's opinion to Default Management.

The school must compile a spreadsheet of the students that qualify to be included in the school's low income rate and a spreadsheet of the students that qualify to be included in either the school's placement rate (if the school is a non-degree-granting school) or the completion rate (if the school is a degree-granting school).

The following two figures (Figures 4.7.4 and 4.7.5) are examples for a non-degree-granting school submitting an economically disadvantaged appeal based on low income rate and placement rate. Figure 4.7.4 is a sample low income rate spreadsheet for this scenario, and

Figure 4.7.4

Sample School Low Income Rate Spreadsheet to Default Management



Type: Low Income Rate
Cohort FY: 2002
From: Graphic Tech
Code: 099999
To: Default Management
Code: N/A

12-Month Period: 06/15/2000 – 06/14/2001
Award Years: 1999-2000, 2000-2001
Calendar Years: 2000, 2001
Low Income Students: 140
Total Students: 200
Low Income Rate: 70%

	A	B	C	D	E	F
1	**Student's SSN**	**Student's Name**	**Student's Enrollment Dates**	**Economically Disadvantaged**	**EFC and Award Year**	**AGI, Family Size, and Calendar Year**
2	111-11-1111	Siebert, Angela	08/25/2000 – 12/30/2000	Yes	0 / 2000-2001	N/A
3	222-22-2222	Bennett, Derek	08/24/1999 – 06/15/2000	No	N/A	N/A
4	333-33-3333	Brewbaker, Mark	08/25/2000 – 05/16/2001	Yes	N/A	$4,300 / 1 / 2001

Date 10/22/2004 Page 1 of 1

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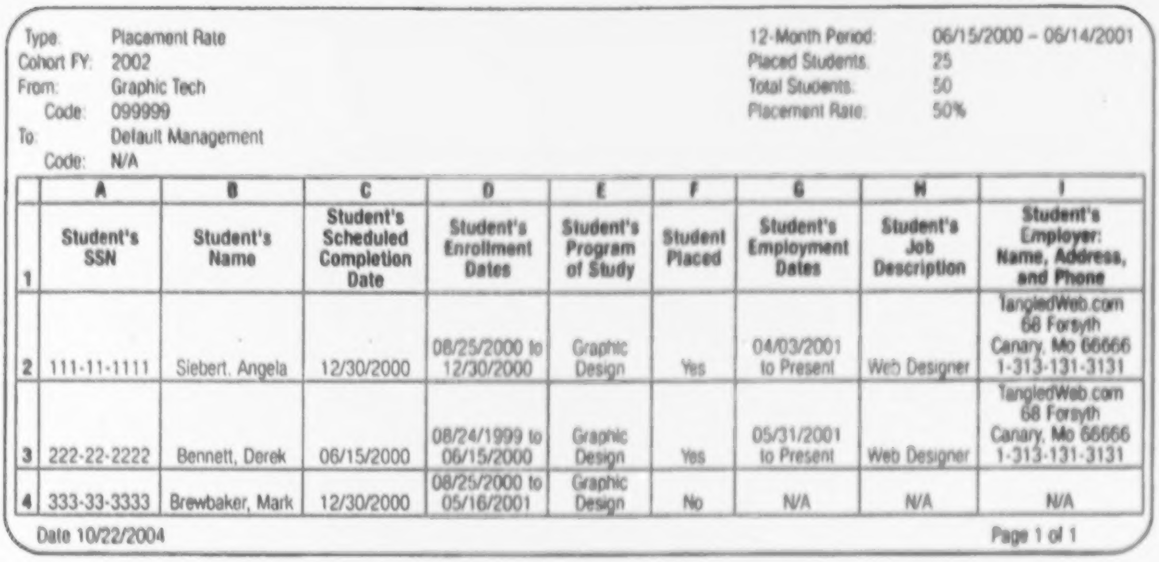


Type: Placement Rate
Cohort FY: 2002
From: Graphic Tech
Code: 099999
To: Default Management
Code: N/A

12-Month Period: 06/15/2000 – 06/14/2001
Placed Students: 25
Total Students: 50
Placement Rate: 50%

	A	B	C	D	E	F	G	H	I
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student's Program of Study	Student Placed	Student's Employment Dates	Student's Job Description	Student's Employer: Name, Address, and Phone
2	111-11-1111	Siebert, Angela	12/30/2000	08/25/2000 to 12/30/2000	Graphic Design	Yes	04/03/2001 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
3	222-22-2222	Bennett, Derek	06/15/2000	08/24/1999 to 06/15/2000	Graphic Design	Yes	05/31/2001 to Present	Web Designer	TangledWeb.com 68 Forsyth Canary, Mo 66666 1-313-131-3131
4	333-33-3333	Brewbaker, Mark	12/30/2000	08/25/2000 to 05/16/2001	Graphic Design	No	N/A	N/A	N/A

Date 10/22/2004 Page 1 of 1

Figure 4.7.5 (above)

Sample School Placement Rate Spreadsheet to Default Management

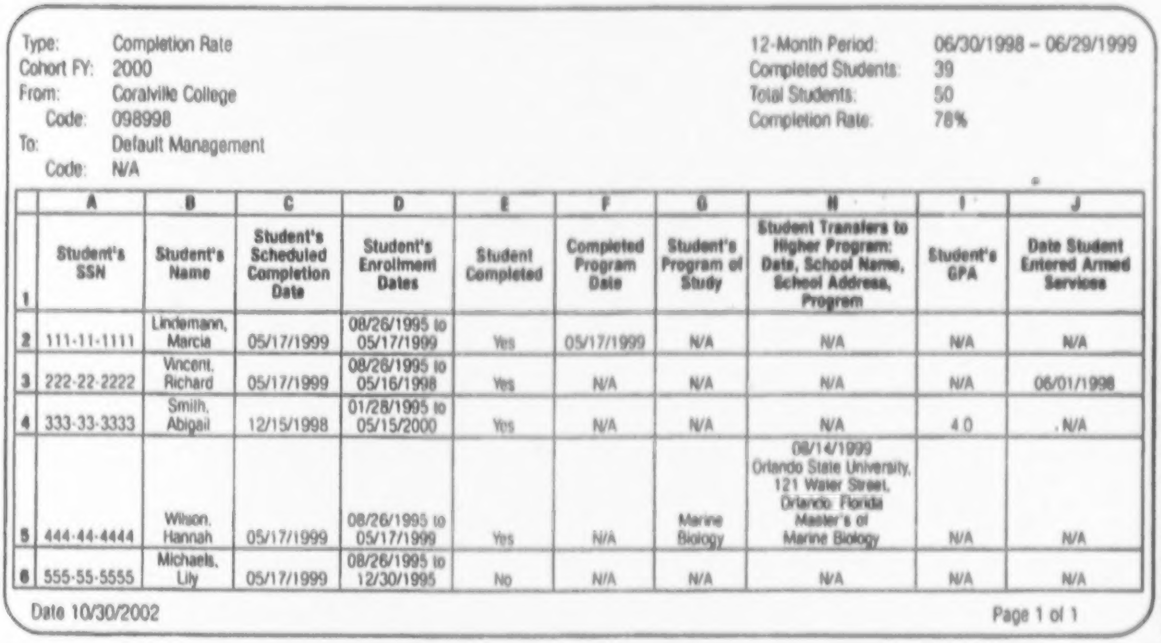
Figure 4.7.5 is the corresponding sample placement rate spreadsheet.

Figure 4.7.6 is a sample completion rate spreadsheet for a degree-granting school submitting an economically disadvantaged appeal based on low income rate and completion rate. The school must also submit a low income rate spreadsheet even though there is no sample low income spreadsheet for this school in the Guide.

Instructions for creating and completing spreadsheets are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

Figure 4.7.6 (below)

Sample School Completion Rate Spreadsheet to Default Management

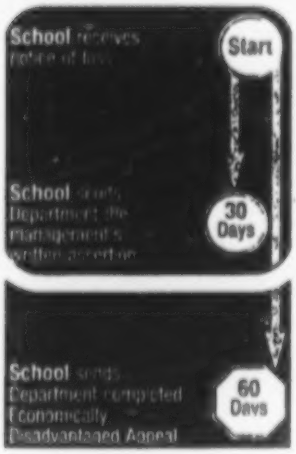


Type: Completion Rate
Cohort FY: 2000
From: Coralville College
Code: 098998
To: Default Management
Code: N/A

12-Month Period: 06/30/1998 – 06/29/1999
Completed Students: 39
Total Students: 50
Completion Rate: 78%

	A	B	C	D	E	F	G	H	I	J
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student Completed	Completed Program Date	Student's Program of Study	Student Transfers to Higher Program: Date, School Name, School Address, Program	Student's GPA	Date Student Entered Armed Services
2	111-11-1111	Lindemann, Marcia	05/17/1999	08/26/1995 to 05/17/1999	Yes	05/17/1999	N/A	N/A	N/A	N/A
3	222-22-2222	Vincent, Richard	05/17/1999	08/26/1995 to 05/16/1998	Yes	N/A	N/A	N/A	N/A	06/01/1998
4	333-33-3333	Smith, Abigail	12/15/1998	01/28/1995 to 05/15/2000	Yes	N/A	N/A	N/A	4.0	N/A
5	444-44-4444	Wilson, Hannah	05/17/1999	08/26/1995 to 05/17/1999	Yes	N/A	Marine Biology	08/14/1999 Orlando State University, 121 Water Street, Orlando, Florida Master's of Marine Biology	N/A	N/A
6	555-55-5555	Michaels, Lily	05/17/1999	08/26/1995 to 12/30/1995	No	N/A	N/A	N/A	N/A	N/A

Date 10/30/2002 Page 1 of 1


School receives notice of loss
Start
School sends Department the management's written assertion
30 Days
School sends Department completed Economically Disadvantaged Appeal
60 Days

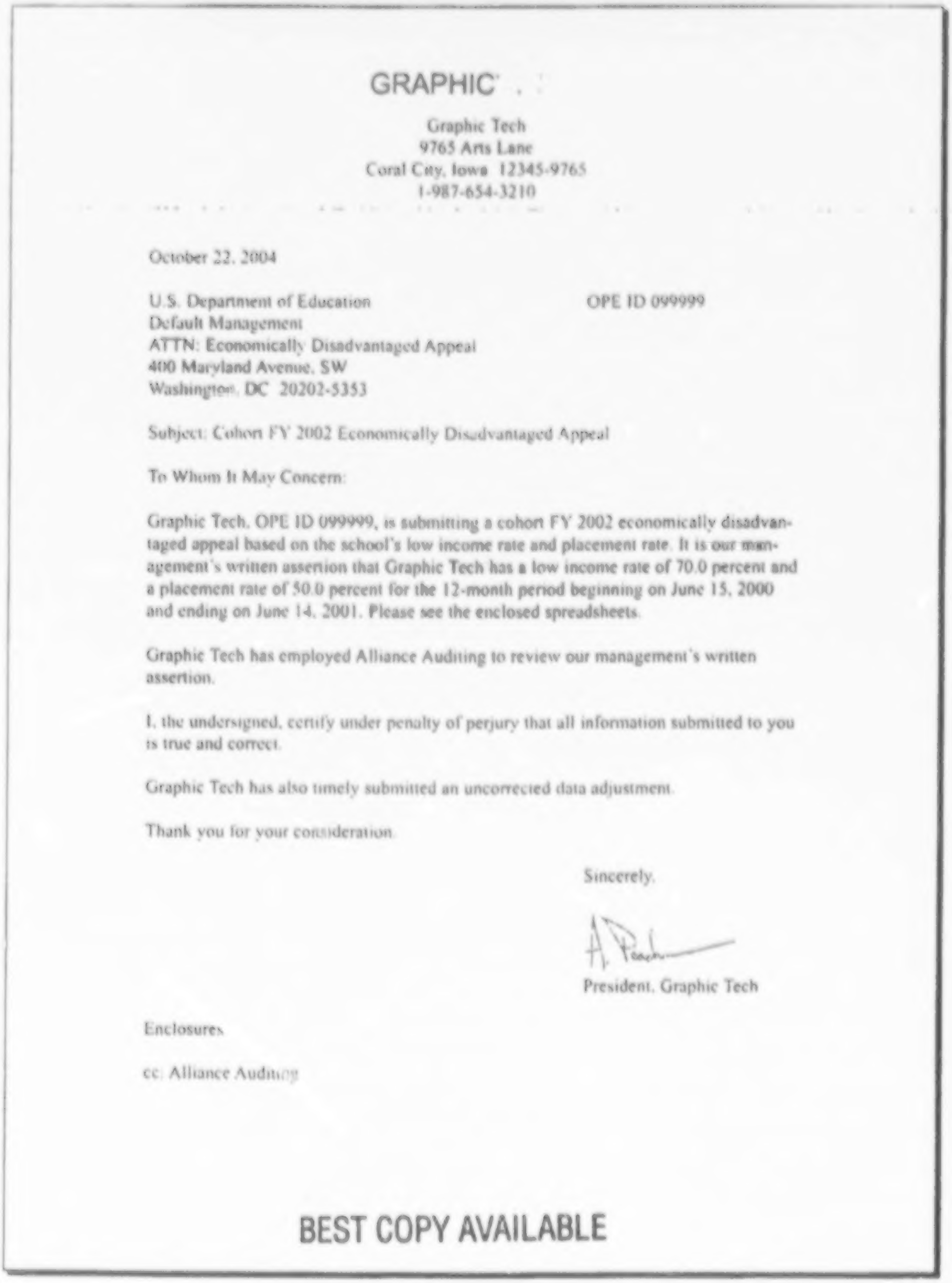
After completing the spreadsheets, the school should calculate either its low income rate and its placement rate (if it is a non-degree-granting school) or its low income rate and its completion rate (if it is a degree-granting school). For schools submitting economically disadvantaged appeals based on the school's low income rate and placement rate, the low income rate must be two-thirds or greater and the placement rate must be 44.0 percent or greater for the appeal to be successful. For schools submitting economically disadvantaged appeals based on the school's low income rate and completion rate, the low income rate must be two-thirds or greater and the completion rate must be 70.0 percent or greater for the appeal to be successful.

The school then submits its management's written assertion to Default Management. The school must submit the following:

- The low income rate spreadsheet.
- The placement rate spreadsheet (if the school is a non-degree-granting school) or the completion rate spreadsheet (if the school is a degree-granting school).
- A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is submitting economically disadvantaged appeal data and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter must include a certification that the information provided is true and correct under penalty of perjury, a list of any other adjustments and/or appeals the school is submitting to Default Management, and a statement that the school is sending its management's written assertion to an independent auditor. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.7.7 is a sample school economically disadvantaged appeal letter to Default Management.

Figure 4.7.7 - Sample School Economically Disadvantaged Appeal Letter to Default Management



GRAPHIC

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 22, 2004

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2002 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2002 economically disadvantaged appeal based on the school's low income rate and placement rate. It is our management's written assertion that Graphic Tech has a low income rate of 70.0 percent and a placement rate of 50.0 percent for the 12-month period beginning on June 15, 2000 and ending on June 14, 2001. Please see the enclosed spreadsheets.

Graphic Tech has employed Alliance Auditing to review our management's written assertion.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Graphic Tech has also timely submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

A. Peach

President, Graphic Tech

Enclosures

cc: Alliance Auditing

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Which Department address does a school use for submitting an economically disadvantaged appeal?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send economically disadvantaged appeal materials to any other addresses at the Department.

Default Management recommends that a school send all economically disadvantaged appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the economically disadvantaged appeal as well as all written and hardcopy documentation submitted as a part of the economically disadvantaged appeal process. If a school does not meet the 30-calendar-day time frame for submitting its management's written assertion, the economically disadvantaged appeal will not be reviewed.

How does an independent auditor review the management's written assertion?

To complete the school's economically disadvantaged appeal, an independent auditor must review and attest to the management's written assertion. The school must submit the following materials to an independent auditor:

- The low income spreadsheet.
- The placement rate spreadsheet (if the school is a non-degree-granting school) or the completion rate spreadsheet (if the school is a degree-granting school).
- Any other materials the auditor requests.
- A letter on the school's letterhead. Figure 4.7.8 is a sample school letter to an auditor.

  The letter should include the school's OPE ID number, a statement indicating that the school is submitting to the auditor economically disadvantaged appeal data, and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The letter should also include a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal."

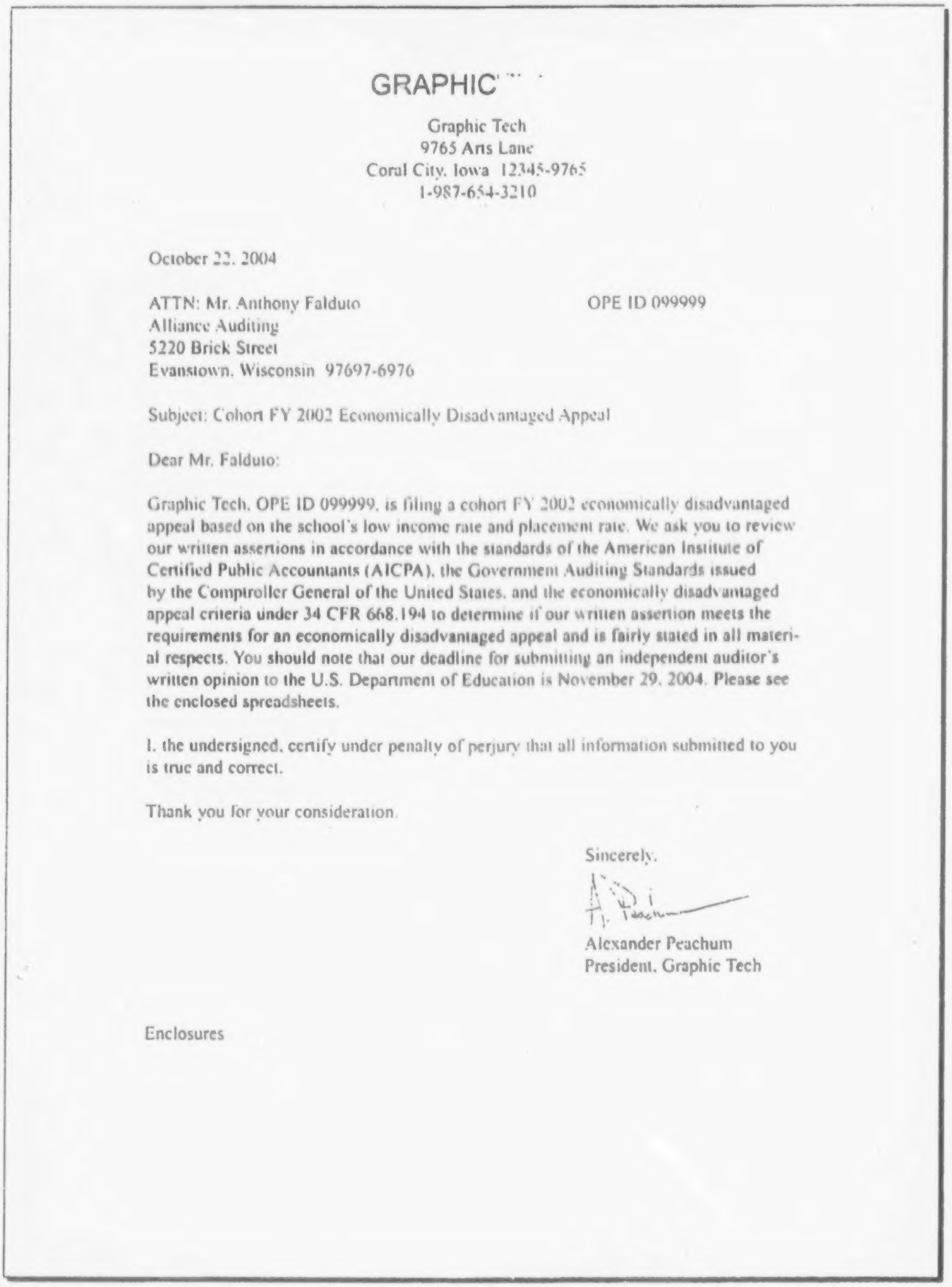

Figure 4.7.8 - Sample School Economically Disadvantaged Appeal Letter to Independent Auditor

GRAPHIC

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 22, 2004

ATTN: Mr. Anthony Falduto
Alliance Auditing
5220 Brick Street
Evanstown, Wisconsin 97697-6976

OPE ID 099999

Subject: Cohort FY 2002 Economically Disadvantaged Appeal

Dear Mr. Falduto:

Graphic Tech, OPE ID 099999, is filing a cohort FY 2002 economically disadvantaged appeal based on the school's low income rate and placement rate. We ask you to review our written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194 to determine if our written assertion meets the requirements for an economically disadvantaged appeal and is fairly stated in all material respects. You should note that our deadline for submitting an independent auditor's written opinion to the U.S. Department of Education is November 29, 2004. Please see the enclosed spreadsheets.

I, the undersigned, certify under penalty of perjury that all information submitted to you is true and correct.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosures

> The letter should also include a request that the auditor review the written assertions in accordance with the standards of the American Institute of Certified Public Accountants (AICPA), the Government Auditing Standards issued by the Comptroller General of the United States, and the economically disadvantaged appeal criteria under 34 CFR 668.194. Finally, the letter should include a statement indicating that the deadline for submitting the independent auditor's written opinion is within 60 calendar days of the school receiving the notice of loss of eligibility and a certification that the information provided is true and correct under penalty of perjury.
>
> The school's President/CEO/Owner should sign the letter, and the signature should be followed by a signature block showing the signer's name and job title.

Upon reviewing the management's written assertion and any other documentation that the auditor deems appropriate, the auditor must provide an opinion as to whether the written assertion demonstrates that the school meets the criteria for an economically disadvantaged appeal under 34 CFR 668.194. The report must also indicate if the written assertions are fairly stated in all material respects. A school submitting an economically disadvantaged appeal must submit the independent auditor's written opinion to Default Management within 60 calendar days of receiving the notice of loss of eligibility.

The engagement which forms the basis of the independent auditor's written opinion must be an examination-level compliance attestation engagement performed in accordance with the AICPA's Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, Volume 1, AT sec. 500), as amended. A school may contact the AICPA order department at 1-888-777-7077 to obtain a copy of its standards or visit the AICPA website at

http://www.aicpa.org

The attestation must also be performed in accordance with the Government Auditing Standards issued by the Comptroller General of the United States.

The written opinion must be in the form of a letter to the school with the school's name, the school's OPE ID number, the Cohort fiscal year to which the appeal applies, and the auditor's opinions. The letter should feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The auditor must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.7.9 is a sample auditor's written opinion letter to a school.

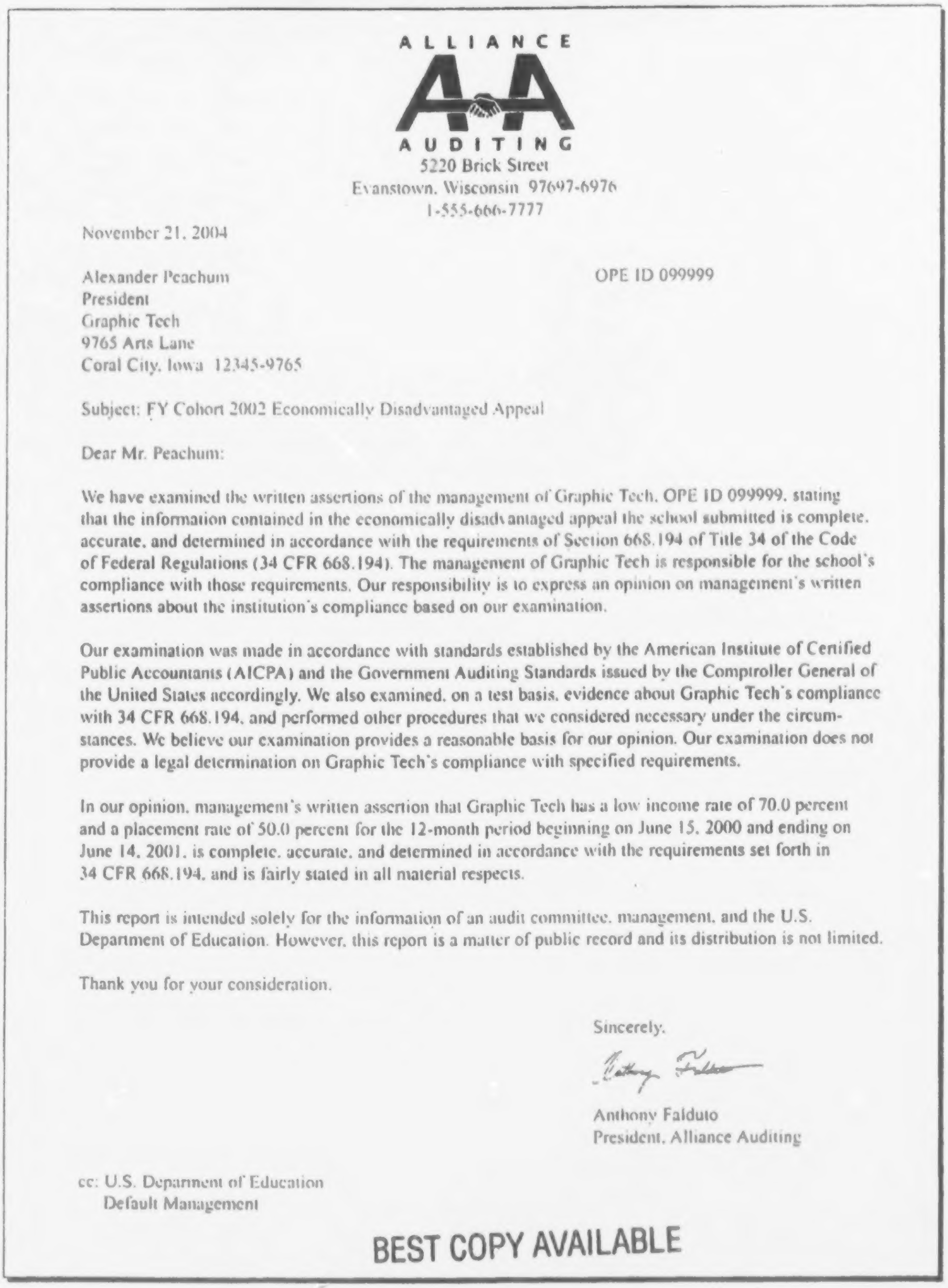

Figure 4.7.9 - Sample Written Opinion Letter from Independent Auditor to School

ALLIANCE
A A
AUDITING
5220 Brick Street
Evanstown, Wisconsin 97697-6976
1-555-666-7777

November 21, 2004

Alexander Peachum
President
Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765

OPE ID 099999

Subject: FY Cohort 2002 Economically Disadvantaged Appeal

Dear Mr. Peachum:

We have examined the written assertions of the management of Graphic Tech, OPE ID 099999, stating that the information contained in the economically disadvantaged appeal the school submitted is complete, accurate, and determined in accordance with the requirements of Section 668.194 of Title 34 of the Code of Federal Regulations (34 CFR 668.194). The management of Graphic Tech is responsible for the school's compliance with those requirements. Our responsibility is to express an opinion on management's written assertions about the institution's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants (AICPA) and the Government Auditing Standards issued by the Comptroller General of the United States accordingly. We also examined, on a test basis, evidence about Graphic Tech's compliance with 34 CFR 668.194, and performed other procedures that we considered necessary under the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Graphic Tech's compliance with specified requirements.

In our opinion, management's written assertion that Graphic Tech has a low income rate of 70.0 percent and a placement rate of 50.0 percent for the 12-month period beginning on June 15, 2000 and ending on June 14, 2001, is complete, accurate, and determined in accordance with the requirements set forth in 34 CFR 668.194, and is fairly stated in all material respects.

This report is intended solely for the information of an audit committee, management, and the U.S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

Thank you for your consideration.

Sincerely,

Anthony Falduto
President, Alliance Auditing

cc: U.S. Department of Education
Default Management

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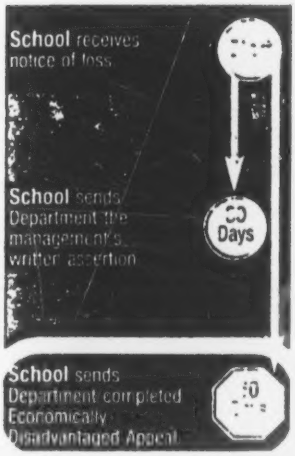

School receives notice of loss
School sends Department the management's written assertion
Days
School sends Department completed Economically Disadvantaged Appeal

The school is responsible for sending the independent auditor's written opinion to Default Management within the 60-calendar-day deadline. If the school does not submit the written opinion within 60 calendar days of the school receiving the notice of loss of eligibility, Default Management will not review the economically disadvantaged appeal and will return all economically disadvantaged appeal materials to the school.

The school must submit the following materials to Default Management

- The independent auditor's written opinion.
- A letter on the school's letterhead.

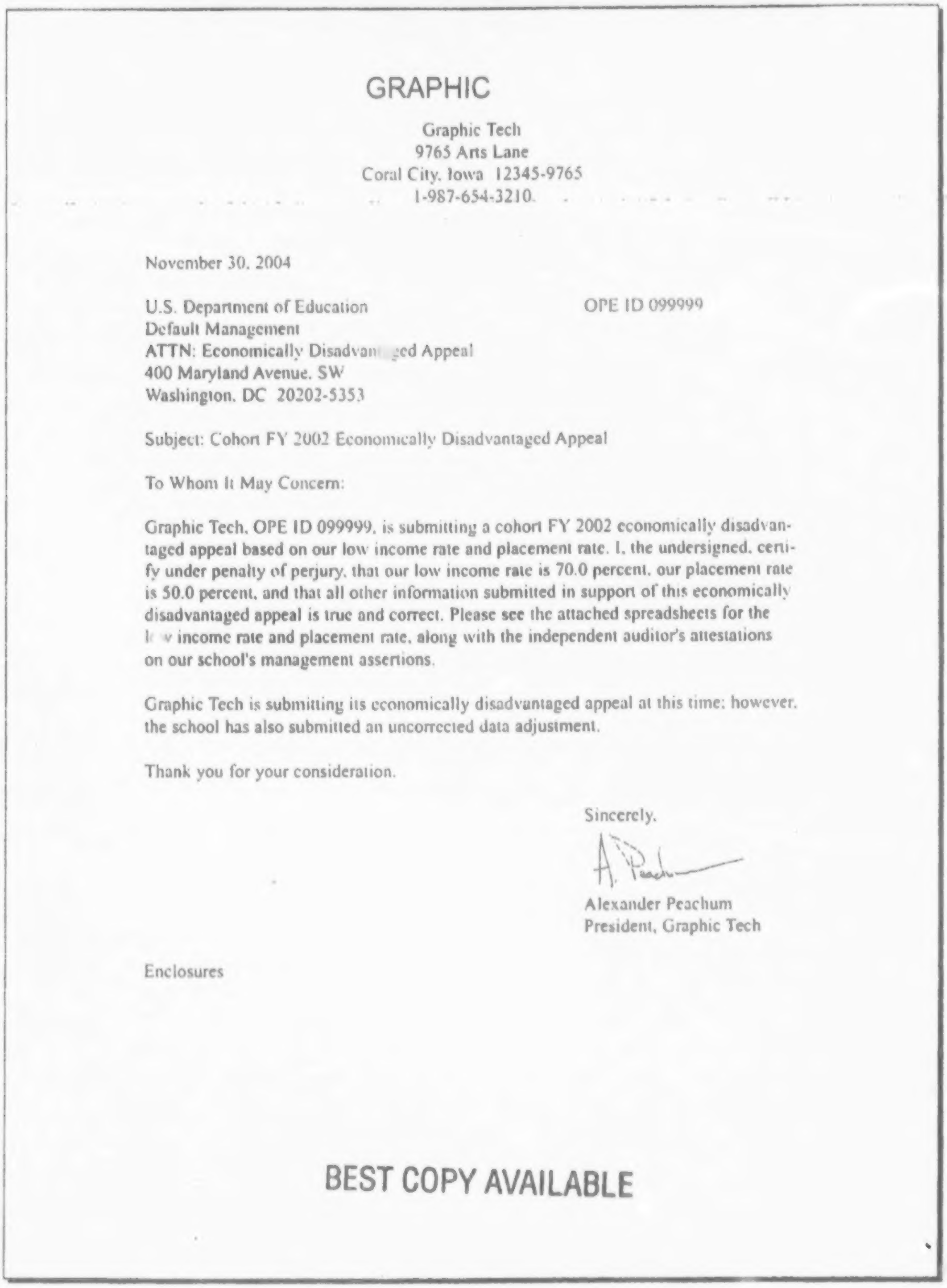
  The letter must include the school's OPE ID number, a statement indicating that the school is submitting an economically disadvantaged appeal, and the type of economically disadvantaged appeal (either low income rate and placement rate or low income rate and completion rate) the school is submitting. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Economically Disadvantaged Appeal." The letter must also include a certification that the information provided is true and correct under penalty of perjury and a list of any other adjustments and appeals the school intends to submit to Default Management. The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.7.10 is a sample school independent auditor's written opinion submittal letter to Default Management.

What happens after the school submits the independent auditor's written opinion?

Default Management will review, using the standard of review described in 34 CFR 668.189(f), only the information submitted with the economically disadvantaged appeal and will not review information submitted after the 60-calendar-day deadline. Default Management will send the school written notification of Default Management's decision. Default Management's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the economically disadvantaged appeal is successful, Default Management will withdraw the notice of loss of eligibility.
If the school was notified that it was subject to sanction and

Figure 4.7.10 - Sample School Independent Auditor's Written Opinion Submittal Letter to Default Management



GRAPHIC

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

November 30, 2004

U.S. Department of Education
Default Management
ATTN: Economically Disadvantaged Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2002 Economically Disadvantaged Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a cohort FY 2002 economically disadvantaged appeal based on our low income rate and placement rate. I, the undersigned, certify under penalty of perjury, that our low income rate is 70.0 percent, our placement rate is 50.0 percent, and that all other information submitted in support of this economically disadvantaged appeal is true and correct. Please see the attached spreadsheets for the low income rate and placement rate, along with the independent auditor's attestations on our school's management assertions.

Graphic Tech is submitting its economically disadvantaged appeal at this time; however, the school has also submitted an uncorrected data adjustment.

Thank you for your consideration.

Sincerely,

A. Peachum

Alexander Peachum
President, Graphic Tech

Enclosures

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the economically disadvantaged appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of the sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the Federal Family Education Loans (FFELs) it certified and delivered and/or the William D. Ford Federal Direct Loans (Direct Loans) it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

What roles do data managers have in a school's economically disadvantaged appeal?

Schools submit economically disadvantaged appeals directly to Default Management for review and consideration. Default Management is responsible for determining whether schools meet the established economically disadvantaged appeal criteria. Therefore, there is no role for data managers.

If a school submits an appeal to the wrong entity or address, the appeal might not be reviewed and the school could miss the deadline for submitting the appeal to Default Management.

If a data manager receives an economically disadvantaged appeal from a school, it should immediately contact the school to inform it that the appeal must be sent to Default Management. The data manager should also indicate that the request must be sent to Default Management within the appropriate time frame. The data manager should then notify Default Management that the data manager has contacted the school.

School Economically Disadvantaged Appeal Checklist

Determine

☐ Is the school subject to sanction? (See page 4.7-1)
☐ What is the school's low income rate? (See page 4.7-3)
☐ For a non-degree-granting school, what is the school's placement rate? (See page 4.7-4)
☐ For a degree-granting school, what is the school's completion rate? (See page 4.7-6)

Submit to Default Management

☐ Spreadsheet (See page 4.7-8)
☐ Letter (See page 4.7-10)

Submit to Independent Auditor

☐ Spreadsheets (See page 4.7-12)
☐ Other Requested Materials (See page 4.7-12)
☐ Letter (See page 4.7-12)

After receiving independent auditor's response:

Submit to Default Management

☐ Copy of Independent Auditor's Response (See page 4.7-16)
☐ Letter (See page 4.7-16)

Independent Auditor to School Economically Disadvantaged Appeal Checklist

Determine

☐ Does school meet criteria? (See page 4.7-14)

Submit to School

☐ Written Opinion (See page 4.7-14)

Participation Rate Index Appeal

Chapter 4.8

What is a participation rate index appeal? 4.8-1
Which cohort default rate can be used to determine a participation rate index appeal? 4.8-1
Which schools are eligible to submit a participation rate index appeal? 4.8-2
What benefit will a school gain from submitting a participation rate index appeal? 4.8-2
Are participation rate index appeals based on a specific period of time? 4.8-2
How does a school calculate its participation rate index? 4.8-4
Does a school need to wait until the official cohort default rate is released to prepare its participation rate index appeal? 4.8-6
What roles do the Department and data managers have in a school's participation rate index appeal? 4.8-6
How does a school submit a participation rate index appeal? 4.8-7
Which Department address does a school use for submitting a participation rate index appeal? 4.8-8
What happens after the school submits the participation rate index appeal? 4.8-10

Participation Rate Index Appeal

34 CFR 668.195

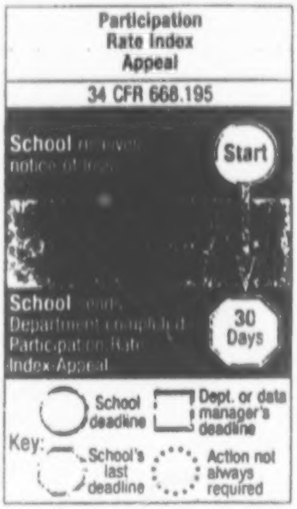
What is a participation rate index appeal?

A school is not subject to a sanction based on its cohort default rates if its participation rate index is 0.0375 or less (for a sanction based on three consecutive cohort default rates of 25.0 percent or greater) or 0.06015 or less (for a sanction based on one cohort default rate over 40.0 percent). In other words, if a school can demonstrate that the number of students who obtain loans is very low in relation to the number of regular students at the school, the school will be able to avoid sanction.

Figure 4.8.1 shows the time frame for submitting a participation rate index appeal.

Figure 4.8.1

Time Frame for Submitting a Participation Rate Index Appeal


Participation Rate Index Appeal
34 CFR 668.195
School receives notice of loss
Start
School sends Department completed Participation Rate Index Appeal
30 Days
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required

Which cohort default rate can be used to determine a participation rate index appeal?

A school can submit a participation rate index appeal for any cohort default rates upon which a sanction is based, depending on the sanction to which the school is subject. For example, take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

If a school is subject to sanction due to three consecutive years of an official cohort default rate that is 25.0 percent or greater, the school can submit a participation rate index appeal based on the official cohort default rate for This Year, Last Year, and/or Two Years Ago. If the sanction is due to an official cohort default rate for This Year that is greater than 40.0 percent, the school can submit a participation rate index appeal based on the official cohort default rate for This Year. Figure 4.8.2 summarizes the cohort default rates a school can use to submit a participation rate index appeal.

Nature of Sanction	This Year	Last Year	Two Years Ago
Three consecutive years of cohort default rates that are 25.0 percent or greater	Yes – Official Cohort Default Rate	Yes – Official Cohort Default Rate	Yes – Official Cohort Default Rate
Current cohort default rate that is greater than 40.0 percent	Yes – Official Cohort Default Rate	No	No

Figure 4.8.2

Cohort Default Rates a School Can Use to Submit a Participation Rate Index Appeal

Which schools are eligible to submit a participation rate index appeal?

Only a school that is subject to sanction because of its official cohort default rate may submit a participation rate index appeal. To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

What benefit will a school gain from submitting a participation rate index appeal?

The U.S. Department of Education (the Department) will withdraw a notice of loss of eligibility for a school that submits a successful participation rate index appeal. If a school's participation rate index is 0.0375 or less, the Department will also excuse the school from any subsequent loss of eligibility that would be based on that cohort default rate.

Are participation rate index appeals based on a specific period of time?

The school may base the participation rate index appeal on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the participation rate index appeal. A school subject to sanction because of three consecutive cohort default rates of 25.0 percent or greater can choose to submit a participation rate index appeal based on any of its three most recent official cohort default rates. Therefore, the time period will differ based on the cohort fiscal year used by the school.

The federal fiscal year always begins on October 1. As a result, the six months immediately preceding the start of a fiscal year will always begin on April 1 and always end on September 30. Therefore, the 12-month period the school uses must end no earlier than April 1 and no later than September 30. In order for a 12-month period to end between April 1 and September 30, it must begin no earlier than April 2 and no later than October 1 of the preceding year.

Cohort Fiscal Year	Cohort Fiscal Year Start Date	Acceptable 12-Month Period Begins Between	Acceptable 12-Month Period Ends Between
1998	10/01/1997	04/02/1996 - 10/01/1996	04/01/1997 - 09/30/1997
1999	10/01/1998	04/02/1997 - 10/01/1997	04/01/1998 - 09/30/1998
2000	10/01/1999	04/02/1998 - 10/01/1998	04/01/1999 - 09/30/1999
2001	10/01/2000	04/02/1999 - 10/01/1999	04/01/2000 - 09/30/2000
2002	10/01/2001	04/02/2000 - 10/01/2000	04/01/2001 - 09/30/2001
2003	10/01/2002	04/02/2001 - 10/01/2001	04/01/2002 - 09/30/2002
2004	10/01/2003	04/02/2002 - 10/01/2002	04/01/2003 - 09/30/2003
2005	10/01/2004	04/02/2003 - 10/01/2003	04/01/2004 - 09/30/2004

Figure 4.8.3

Date Ranges for Acceptable 12-Month Periods

Figure 4.8.3 is a chart that can be used to determine an acceptable 12-month period. To choose an acceptable 12-month period, a school should first determine which cohort fiscal year the school will use. The school then picks a start date from the range listed in the "Acceptable 12-Month Period Begins Between" column. The end date will be 12 months after the start date, which will fall in the range listed in the "Acceptable 12-Month Period Ends Between" column. Figure 4.8.4 shows an acceptable and some unacceptable 12-month periods for cohort FY 2001.

12-Month Period	Status	Reason
04/02/1999-04/01/2000	Acceptable	Starts within acceptable range; ends 12 months later within acceptable range
04/02/1999-04/02/2000	Unacceptable	Starts within acceptable range; ends more than 12 months later
04/01/1999-03/31/2000	Unacceptable	Starts and ends outside acceptable range

Figure 4.8.4

Acceptable and Unacceptable 12-Month Periods for Cohort FY 2001

A school can select the most beneficial 12-month period available. In other words, a school can identify the acceptable 12-month period during which it had the lowest percentage of borrowers and use that period when calculating its participation rate index.

If a school selects an unacceptable 12-month period, Default Management will not review any portion of the school's participation rate index appeal and the participation rate index appeal will be denied and returned to the school. A school may contact Default Management at 1-202-708-9396 to discuss whether the school has selected an acceptable 12-month period.

How does a school calculate its participation rate index?

After selecting the 12-month period, the school determines the total number of regular students enrolled at least half time and for at least one day during any part of the 12-month period. It is not necessary for the student's entire enrollment period to fall within the 12-month period. The total number of students is the denominator. The school then determines the total number of those students who borrowed a Federal Family Education Loan (FFEL) or William D. Ford Federal Direct Loan (Direct Loan) for a loan period that overlaps any part of the 12-month period. The total number of borrowers is the numerator.

$$\text{Total borrowers in 12-month period} \div \text{Total regular students in 12-month period}$$

A regular student is a student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school. To be included in the participation rate index calculation, the borrower must be a student who was enrolled at least half-time and enrolled at least one day during the selected 12-month period.

Once the school has divided the total number of FFEL and Direct Loan borrowers by the total number of regular students, the school multiplies the result by the cohort default rate upon which the school is basing the participation rate index appeal. The result is the participation rate index. A participation rate index is calculated as follows:

$$\left(\text{Total borrowers in 12-month period} \div \text{Total regular students in 12 month period}\right) \times \text{School's cohort default rate} = \boxed{\text{Participation Rate Index}}$$

If a school has fewer than 30 borrowers who entered repayment in the cohort fiscal year for which the participation rate index is calculated, the participation rate index for that cohort fiscal year may be calculated using either

- the cohort default rate that would result from applying the non-average rate formula or
- the cohort default rate that would result from applying the average rate formula.

See Chapter 2.1, "Calculating Cohort Default Rates," for information on the formulas used to calculate cohort default rates.

To avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less.

For example, School A's official cohort default rate is 25.0 percent. School A's two most recent official cohort default rates were 26.0 percent and 28.0 percent. As a result, School A is subject to sanction because it has three consecutive official cohort default rates that are 25.0 percent or greater.

School A decides to base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School A had a total of 200 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of those 200 students, 31 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School A's participation rate index is 0.03875.

$$\left(\underset{\text{borrowers}}{31} \div \underset{\substack{\text{total}\\\text{students}}}{200}\right) \times \underset{\substack{\text{official cohort}\\\text{default rate}}}{25.0\text{ percent}} = \underset{\substack{\text{participation}\\\text{rate index}}}{0.03875}$$

Because the participation rate index is greater than 0.0375, School A's participation rate index appeal would be unsuccessful.

As another example, School B's official cohort default rate is 50.0 percent. School B's two most recent official cohort default rates were 20.0 percent and 31.0 percent. As a result, School B is subject to sanction only because of an official cohort default rate that is greater than 40.0 percent.

School B should base its participation rate index appeal on the official cohort default rate for the current cohort fiscal year. School B had a total of 100 regular students enrolled on at least a half-time basis during any part of the selected 12-month period relating to the current cohort fiscal year. Of these 100 students, 10 obtained FFELs or Direct Loans for a loan period that overlapped the 12-month period. School B's participation rate index is 0.05.

$$\left(\underset{\text{borrowers}}{10} \div \underset{\substack{\text{total}\\\text{students}}}{100}\right) \times \underset{\substack{\text{official cohort}\\\text{default rate}}}{50.0\text{ percent}} = \underset{\substack{\text{participation}\\\text{rate index}}}{0.05}$$

Because the participation rate index is less than 0.06015, School B's participation rate index appeal would be successful. However, if School B's two most recent official cohort default rates are 25.0 percent and 31.0 percent, School B is also subject to sanction because it will have three consecutive official cohort default rates that are 25.0 percent or greater. In that event, the participation rate index would have to be 0.0375 or less for the participation rate index appeal to be successful.

Does a school need to wait until the official cohort default rate is released to prepare its participation rate index appeal?

If a school is submitting a participation rate index appeal using a previous cohort fiscal year's official cohort default rate, it can prepare a complete participation rate index appeal before it receives its current year official cohort default rate.

If a school is submitting a participation rate index appeal using the current cohort fiscal year, it cannot perform the final step in the process (multiplying the participation ratio by the official cohort default rate) until the school receives its official cohort default rate. However, a school can perform the initial steps to identify the data to include in the calculation before it receives its official cohort default rate if it believes its current cohort fiscal year official cohort default rate will incur sanctions. In that way, a school can save time when it receives its official cohort default rate.

What roles do the Department and data managers have in a school's participation rate index appeal?

Schools submit participation rate index appeals directly to Default Management for review and consideration. Default Management is responsible for determining whether schools meet the established participation rate index criteria. Therefore, there is no role for data managers.

If a school submits an appeal to the wrong entity or address, the appeal might not be reviewed and the school could miss the deadline for submitting the appeal to Default Management.

If a data manager receives a participation rate index appeal from a school, it should immediately contact the school to inform it that the appeal must be sent to Default Management. The data manager should also indicate that the request must be sent to Default Management within the 30-calendar-day time frame. The data manager should then notify Default Management that the data manager has contacted the school.

How does a school submit a participation rate index appeal?

Timing is critical when submitting a participation rate index appeal. A school must submit a participation rate index appeal to Default Management within 30 calendar days of receiving the notice of loss of eligibility. The participation rate index appeal must include the following items:

- A participation rate index appeal spreadsheet.

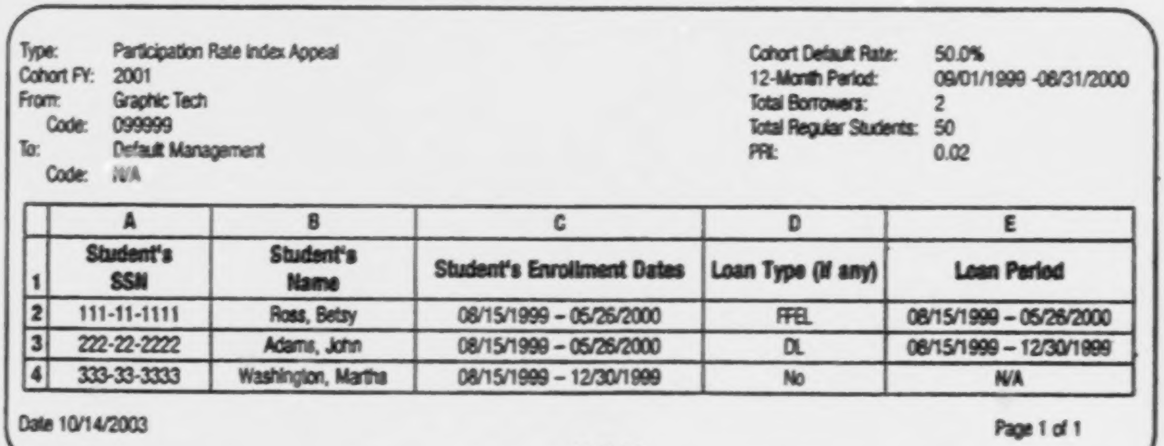
  Figure 4.8.5 is a sample participation rate index appeal spreadsheet. The instructions for creating and completing the spreadsheet are in the "Spreadsheet Tools" section of Chapter 4.11, "Challenge, Adjustment, and Appeal Tools."

  Using the information on the spreadsheet and the participation rate index formula, a school must calculate its participation rate index. As mentioned, to avoid sanction based on three consecutive years of an official cohort default rate that is 25.0 percent or greater, a school must have a participation rate index of 0.0375 or less. To avoid sanction based on an official cohort default rate that is greater than 40.0 percent, a school must have a participation rate index of 0.06015 or less. If both sanctions apply, the participation rate index must be 0.0375 or less.

  If a school does not have any students who received FFELs or Direct Loans with loan periods that overlapped any part of the selected 12-month period, the school does not have to submit a spreadsheet to Default Management. However, to avoid sanctions, the school must send Default Management a letter that identifies the 12-month period and indicates that the school did not have any students who received loans with loan periods that overlapped the 12-month period.

Figure 4.8.5

Sample School Participation Rate Index Appeal Spreadsheet to Default Management



Type: Participation Rate Index Appeal
Cohort FY: 2001
From: Graphic Tech
Code: 099999
To: Default Management
Code: N/A

Cohort Default Rate: 50.0%
12-Month Period: 09/01/1999 -08/31/2000
Total Borrowers: 2
Total Regular Students: 50
PRI: 0.02

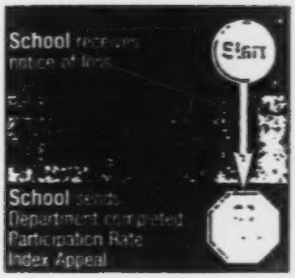
	A	B	C	D	E
1	Student's SSN	Student's Name	Student's Enrollment Dates	Loan Type (If any)	Loan Period
2	111-11-1111	Ross, Betsy	08/15/1999 – 05/26/2000	FFEL	08/15/1999 – 05/26/2000
3	222-22-2222	Adams, John	08/15/1999 – 05/26/2000	DL	08/15/1999 – 12/30/1999
4	333-33-3333	Washington, Martha	08/15/1999 – 12/30/1999	No	N/A

Date 10/14/2003

Page 1 of 1

- A letter on the school's letterhead.

  The letter must include the school's OPE ID number, a statement indicating that the school is submitting a participation rate index appeal, the relevant cohort fiscal years on which the appeal is based, a certification that the information provided is true and correct under penalty of perjury, and a list of the other adjustments or appeals the school intends to submit to Default Management. The school must also note its participation rate index and the 12-month period the school selected. The letter must feature a subject line that reads "Subject: Cohort FY [insert cohort fiscal year being used in the appeal] Participation Rate Index Appeal." The school's President/CEO/Owner must sign the letter, and the signature must be followed by a signature block showing the signer's name and job title. Figure 4.8.6 is a sample participation rate index appeal letter.


School receives notice of loss
Start
School sends Department completed Participation Rate Index Appeal

Schools are not required to submit an independent auditor's attestation to support the school's participation rate index appeal.

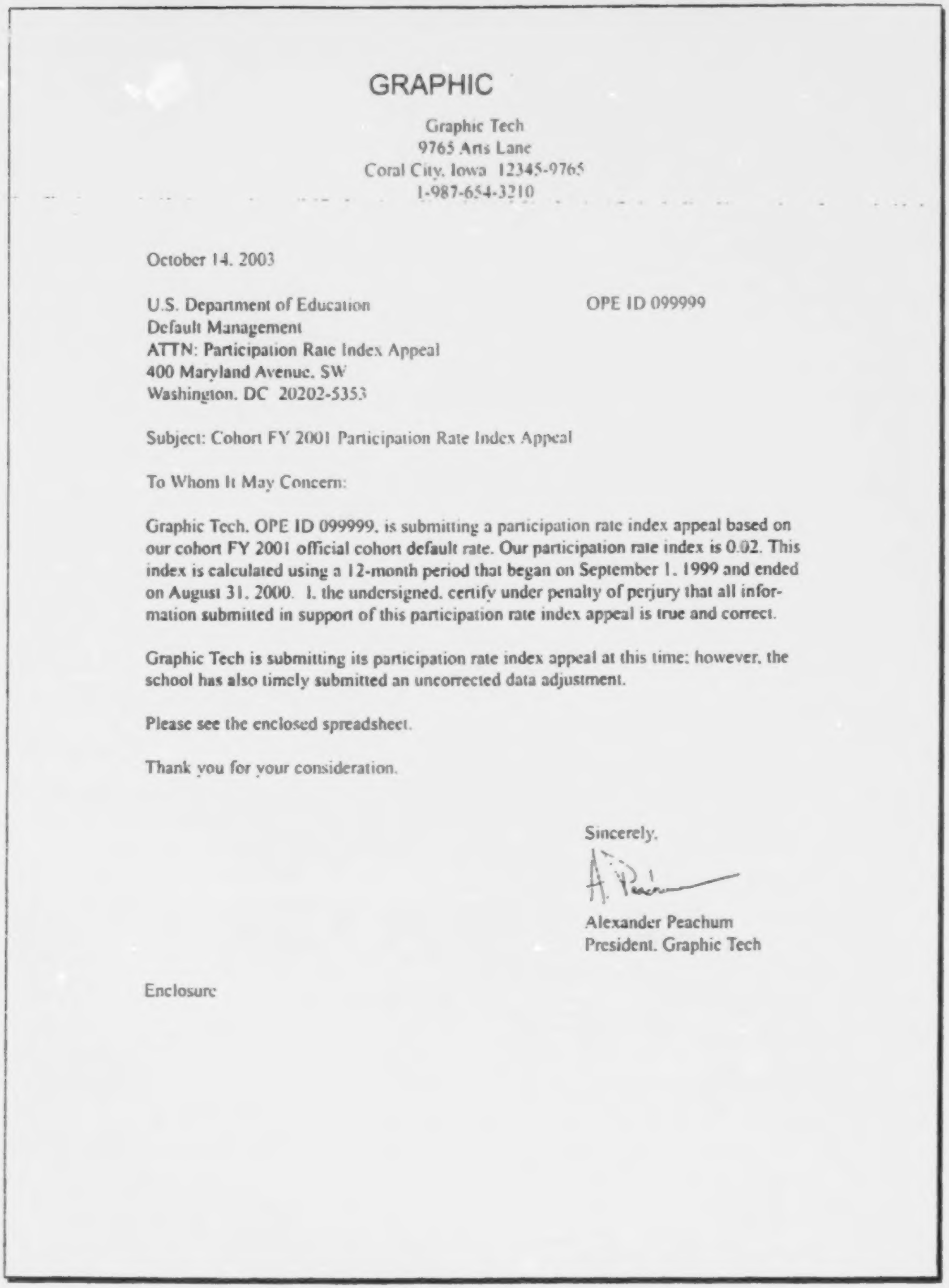
If a school is submitting a participation rate index appeal for multiple cohort default rates, it should submit all the participation rate index appeals in the same mailing to Default Management. However, the school still needs to submit separate documentation for each participation rate index appeal.

Which Department address does a school use for submitting a participation rate index appeal?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send participation rate index appeal materials to any other addresses at the Department.

Default Management recommends that a school send all participation rate index appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the participation rate index appeal as well as all electronic and hard-copy documentation submitted as a part of the participation rate index appeal process. If a school does not meet the 30-calendar-day time frame for submitting a participation rate index appeal, the participation rate index appeal will not be reviewed.

Figure 4.8.6 - Sample School Participation Rate Index Appeal Letter to Default Management



GRAPHIC

Graphic Tech
9765 Arts Lane
Coral City, Iowa 12345-9765
1-987-654-3210

October 14, 2003

U.S. Department of Education
Default Management
ATTN: Participation Rate Index Appeal
400 Maryland Avenue, SW
Washington, DC 20202-5353

OPE ID 099999

Subject: Cohort FY 2001 Participation Rate Index Appeal

To Whom It May Concern:

Graphic Tech, OPE ID 099999, is submitting a participation rate index appeal based on our cohort FY 2001 official cohort default rate. Our participation rate index is 0.02. This index is calculated using a 12-month period that began on September 1, 1999 and ended on August 31, 2000. I, the undersigned, certify under penalty of perjury that all information submitted in support of this participation rate index appeal is true and correct.

Graphic Tech is submitting its participation rate index appeal at this time; however, the school has also timely submitted an uncorrected data adjustment.

Please see the enclosed spreadsheet.

Thank you for your consideration.

Sincerely,

Alexander Peachum
President, Graphic Tech

Enclosure

What happens after the school submits the participation rate index appeal?

Default Management will review, using the standard of review described in 34 CFR 668.189(f), only the information submitted with the participation rate index appeal and will not review information submitted after the 30-calendar-day deadline. Default Management will send the school written notification of Default Management's decision. Default Management's decision is final and no further administrative review is provided.

If the school was notified that it was subject to sanction and the participation rate index appeal is successful, Default Management will withdraw the notice of loss of eligibility. If the school's recalculated participation rate index is 0.0375 or less, the school will not be subject to a subsequent sanction based on that official cohort default rate. If the school was notified that it was subject to sanction and the participation rate index appeal is unsuccessful, and the school has no other outstanding adjustments or appeals, Default Management will notify the school of the effective date of the sanction.

A school that submits an adjustment and/or an appeal but fails to avoid sanctions is liable for certain costs associated with the FFELs it certified and delivered and/or the Direct Loans it originated and disbursed during the adjustment and appeal process. Liabilities are not calculated for loans that were delivered or disbursed more than 45 calendar days after the school submitted its completed adjustment and/or appeal to the Department. Schools may avoid this liability if they choose not to certify or originate loans during the adjustment and appeal process.

School to Default Management Participation Rate Index Appeal Checklist

Determine
- ☐ Is the school subject to sanction? (See page 4.8-2)
- ☐ What is the school's participation rate index? (See page 4.8-4)

Submit to Default Management
- ☐ Spreadsheet (See page 4.8-7)
- ☐ Letter (See page 4.8-8)

Average Rates Appeal

Chapter 4.9

What is an average rates appeal? 4.9-1

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of three consecutive cohort default rates that are 25.0 percent or greater? 4.9-1

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of a cohort default rate that is greater than 40.0 percent? 4.9-2

How does the average rates appeal process begin? 4.9-2

What if a school disagrees with the initial determination by Default Management? 4.9-3

Which Department address does a school use for submitting an average rates appeal? 4.9-3

Average Rates Appeal

34 CFR 668.196

What is an average rates appeal?

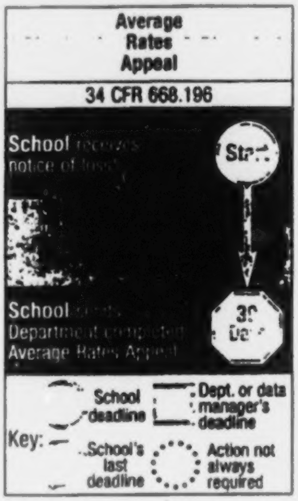
A school facing sanction based on three consecutive official cohort default rates of 25.0 percent or greater is not subject to that sanction if at least two of these official cohort default rates are average rates and would have been less than 25.0 percent if they had been calculated using only the data for that cohort fiscal year alone.

In addition, a school facing sanction based on one official cohort default rate that is greater than 40.0 percent is not subject to that sanction if the official cohort default rate was calculated as an average rate.

Figure 4.9.1 shows the time frame for submitting an average rates appeal.

Figure 4.9.1

Time Frame for Submitting an Average Rates Appeal


Average Rates Appeal
34 CFR 668.196
School receives notice of loss
Start
School sends Department completed Average Rates Appeal
30 Days
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of three consecutive cohort default rates that are 25.0 percent or greater?

Take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

School A, a degree-granting school, certified loans for the following students:

- 7 borrowers who entered repayment This Year (of whom none defaulted in the cohort default period),
- 26 borrowers who entered repayment Last Year (of whom 6 defaulted in that cohort default period), and
- 35 borrowers who entered repayment Two Years Ago (of whom 12 defaulted in that cohort default period).

The 18 borrowers (0 + 6 + 12 = 18) who entered repayment and defaulted are divided by the 68 total borrowers (7 + 26 + 35 = 68) to give School A an average cohort default rate for This Year of 26.4 percent. School A had an average cohort default rate for Last Year of 27.6 percent and a non-average cohort default rate for Two Years Ago of 34.2 percent. Therefore, School A is subject to sanction for This Year because of three consecutive years of an official cohort default rate that is 25.0 percent or greater.

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However, School A had an average cohort default rate for both This Year and Last Year. Therefore, School A meets the criteria that at least two of the three most recent official cohort default rates be average rates. The next criteria is to determine if those cohort default rates would be less than 25.0 percent if they were calculated using only data from those cohort fiscal years alone.

If School A's cohort default rate for This Year was calculated using only data from This Year, the cohort default rate for This Year would be 0.0 percent (0 ÷ 7 = 0). If School A's cohort default rate for Last Year was calculated using only data from Last Year, the cohort default rate for Last Year would be 23.0 percent (6 ÷ 26 = .230).

Because the two cohort fiscal years with average cohort default rates would have been less than 25.0 percent if the rates were calculated using only data from those years alone, School A's average rates appeal will be successful, and the school will not be subject to sanction.

See Chapter 2.1, "Calculating Cohort Default Rates," for more information on average rates.

How does a school qualify for a successful average rates appeal if the school is subject to sanction because of a cohort default rate that is greater than 40.0 percent?

As mentioned, a school facing sanction based on one official cohort default rate that is greater than 40.0 percent is not subject to that sanction if the official cohort default rate was calculated as an average rate. Therefore, if the cohort default rate that is greater than 40.0 percent is an average cohort default rate, the school's average rates appeal will be successful, and the school will not be subject to sanction.

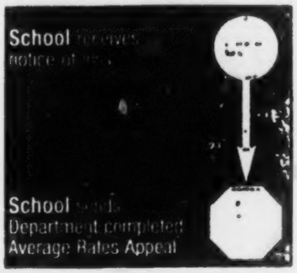
How does the average rates appeal process begin?

The U.S. Department of Education's (the Department's) Default Management will automatically determine if a school meets the criteria associated with an average rates appeal. This initial determination will take place prior to the release of the official cohort default rates. Default Management will notify the school if it is not subject to sanction at the same time Default Management notifies the school of its official cohort default rate.

In addition, if a school's official cohort default rate changes because of an adjustment or appeal the school submitted, Default Management will automatically determine if the change in the cohort default rate results in the school meeting the criteria for an average rates appeal.

What if a school disagrees with the initial determination by Default Management?

If a school disagrees with the initial determination by Default Management, the school may submit an average rates appeal to Default Management. For a school attempting to avoid a sanction based on three consecutive years of a cohort default rate that is 25.0 percent or greater, the average rates appeal must include supporting documentation showing that two of the three official cohort default rates in question were calculated as average rates and would be less than 25.0 percent if calculated only for those cohort fiscal years alone. For a school attempting to avoid a sanction based on a cohort default rate that is greater than 40.0 percent, the average rates appeal must include supporting documentation showing that the current cohort default rate is an average rate. For all average rates appeals, a school must include a certification from the school's chief executive officer that all information is true and correct. A school must send the average rates appeal within 30 calendar days of receiving the Department's notice of a loss of eligibility.


School receives notice of
School sends Department completed Average Rates Appeal

Which Department address does a school use for submitting an average rates appeal?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send average rates appeal materials to any other addresses at the Department.

Default Management recommends that a school send all average rates appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the average rates appeal as well as all electronic and hardcopy documentation submitted as a part of the average rates appeal process. If a school does not meet the time frame for submitting an average rates appeal, the average rates appeal will not be reviewed.

School to Default Management Average Rates Appeal Checklist

Determine

- ☐ Is the school subject to sanction and, if so, what type? (See page 4.9-1)
- ☐ If the school is subject to sanction because of three consecutive cohort default rates that are 25.0 percent or greater, were two of those cohort default rates calculated as average rates? (See page 4.9-1)
- ☐ If so, would those cohort default rates be less than 25.0 percent if they were calculated using only that year's cohort default rate data alone? (See page 4.9-1)
- ☐ If the school is subject to sanction because of a cohort default rate that is greater than 40.0 percent, was the cohort default rate calculated as an average rate? (See page 4.9-2)
- ☐ Did the Department automatically grant the school an average rates appeal? (See page 4.9-2)

Submit to Default Management

- ☐ Supporting Documentation (See page 4.9-3)
- ☐ Certification (See page 4.9-3)

297

Thirty-or-Fewer Borrowers Appeal

Chapter 4.10

What is a thirty-or-fewer borrowers appeal? 4.10-1

How does a school qualify for a successful thirty-or-fewer borrowers appeal? 4.10-1

How does the thirty-or-fewer borrowers appeal process begin? 4.10-1

What if a school disagrees with the initial determination by Default Management? 4.10-2

Which Department address does a school use for submitting a thirty-or-fewer borrowers appeal? 4.10-2

Thirty-or-Fewer Borrowers Appeal

34 CFR 668.197

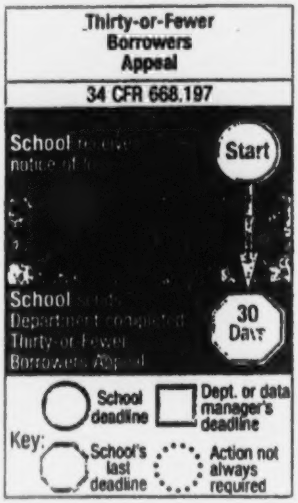
What is a thirty-or-fewer borrowers appeal?

If a combined total of thirty or fewer borrowers entered repayment in the three most recent cohort fiscal years used to calculate a school's cohort default rates, the school is not subject to sanction.

Figure 4.10.1 shows the time frame for submitting a thirty-or-fewer borrowers appeal.

Figure 4.10.1

Time Frame for Submitting a Thirty-or-Fewer Borrowers Appeal


Thirty-or-Fewer Borrowers Appeal
34 CFR 668.197
School receives notice of
Start
School sends Department completed Thirty-or-Fewer Borrowers Appeal
30 Days
Key:
School deadline
Dept. or data manager's deadline
School's last deadline
Action not always required

How does a school qualify for a successful thirty-or-fewer borrowers appeal?

Take a sequence of cohort fiscal years: This Year, Last Year, and Two Years Ago.

School A, a degree-granting school that is subject to sanction, had

- 3 borrowers enter repayment This Year,
- 10 borrowers enter repayment Last Year, and
- 5 borrowers enter repayment Two Years Ago.

The combined total number of borrowers who entered repayment in School A's three most recent cohort fiscal years is 18 borrowers (3 + 10 + 5 = 18). Because this number is less than thirty, School A's thirty-or-fewer borrowers appeal is successful and the school is not subject to sanction.

How does the thirty-or-fewer borrowers appeal process begin?

The U.S. Department of Education's (the Department's) Default Management will automatically determine if a school meets the criteria associated with a thirty-or-fewer borrowers appeal. This initial determination will take place prior to the release of the official cohort default rates. Default Management will notify the school that it is not subject to sanction at the same time Default Management notifies the school of its official cohort default rate.

In addition, if a school's official cohort default rate changes because of an adjustment or appeal the school submitted, Default Management will automatically determine if the change in the cohort default rate results in the school meeting the criteria for a thirty-or-fewer borrowers appeal.

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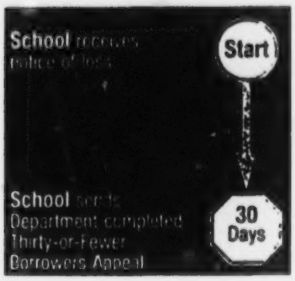
What if a school disagrees with the initial determination by Default Management?


School receives notice of loss
Start
School sends Department completed Thirty-or-Fewer Borrowers Appeal
30 Days

If a school disagrees with the initial determination by Default Management, the school may submit a thirty-or-fewer borrowers appeal to Default Management. The thirty-or-fewer borrowers appeal must include supporting documentation showing that there were a total of thirty or fewer borrowers in the three most recent cohort fiscal years used to calculate its cohort default rates. The school must include a certification from the school's chief executive officer that all information is true and correct. The school must send the thirty-or-fewer borrowers appeal within 30 calendar days of receiving the Department's notice of a loss of eligibility.

Which Department address does a school use for submitting a thirty-or-fewer borrowers appeal?

See the "Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?" section in Chapter 4.11, "Challenge, Adjustment, and Appeal Tools," for the address for Default Management. A school should not send thirty-or-fewer borrowers appeal materials to any other addresses at the Department.

Default Management recommends that a school send all thirty-or-fewer borrowers appeal correspondence return receipt requested or via commercial overnight mail/courier delivery. This will be useful to a school if it is asked to authenticate the timeliness of its submission. A school should maintain the documentation that verifies the receipt of the thirty-or-fewer borrowers appeal as well as all electronic and hardcopy documentation submitted as a part of the thirty-or-fewer borrowers appeal process. If a school does not meet the time frame for submitting a thirty-or-fewer borrowers appeal, the thirty-or-fewer borrowers appeal will not be reviewed.

School to Default Management Thirty-or-Fewer Borrowers Appeal Checklist

Determine

- ☐ Is the school subject to sanction? (See page 4.10-1)
- ☐ Did the school have thirty or fewer borrowers enter repayment in the three most recent cohort fiscal years? (See page 4.10-1)
- ☐ Did the Department automatically grant the school a thirty-or-fewer borrowers appeal? (See page 4.10-1)

Submit to Default Management

- ☐ Supporting Documentation (See page 4.10-2)
- ☐ Certification (See page 4.10-2)

Challenge, Adjustment, and Appeal Tools

Chapter 4.11

Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management? 4.11-1

Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools

What types of loan record detail report allegations may a school submit as a part of an incorrect data challenge, new data adjustment, or erroneous data appeal? 4.11-2
What supporting documentation does a school need to submit with its allegations? 4.11-2
Does a school need to submit loan record detail report pages with its allegations? 4.11-3
What specific allegations and supporting documentation can a school submit? 4.11-4

Spreadsheet Tools

General Spreadsheet Information 4.11-9
Incorrect Data Challenge / New Data Adjustment / Erroneous Data Appeal Spreadsheet Instructions 4.11-12
Participation Rate Index Spreadsheet Instructions 4.11-14
Uncorrected Data Adjustment / New Data Adjustment Spreadsheet Instructions 4.11-16
Loan Servicing Appeal Spreadsheet Instructions 4.11-18
Low Income Rate Spreadsheet Instructions 4.11-20
Placement Rate Spreadsheet Instructions 4.11-22
Completion Rate Spreadsheet Instructions 4.11-24
Full-Sized Blank Spreadsheets 4.11-26

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Challenge, Adjustment, and Appeal Tools

Which address does a school or data manager use for submitting challenge, adjustment, or appeal materials to Default Management?

A school or data manager should send challenge, adjustment, or appeal materials to Default Management via commercial courier or the U.S. Postal Service. Default Management will not accept any challenge, adjustment, or appeal correspondence by facsimile (fax) or email.

If sent by commercial overnight mail/courier delivery, the address is

U.S. Department of Education
Default Management
ATTN: (Insert type of challenge, adjustment, or appeal here)
830 First Street, NE
Washington, DC 20002

If sent by U.S. Postal Service, the address is

U.S. Department of Education
Default Management
ATTN: (Insert type of challenge, adjustment, or appeal)
400 Maryland Avenue, SW
Washington, DC 20202-5353

A school or data manager should not send challenge, adjustment, or appeal materials to any other addresses at the U.S. Department of Education (the Department).

Default Management recommends that all challenge, adjustment, or appeal correspondence be sent via return receipt requested or via overnight courier delivery. A school or data manager should maintain the documentation that verifies the receipt of the correspondence as well as all electronic and hardcopy documentation submitted as a part of the challenge, adjustment, or appeal process.

Incorrect Data Challenge, New Data Adjustment, and Erroneous Data Appeal Tools

What types of loan record detail report allegations may a school submit as a part of an incorrect data challenge, new data adjustment, or erroneous data appeal?

When submitting an incorrect data challenge, new data adjustment, or erroneous data appeal, a school must submit allegations about the accuracy of the data used to calculate the school's cohort default rate. The allegations usually fall into three main categories:

- The school alleges that the loan record detail report incorrectly reports a data element and the data element should be changed (incorrectly reported).
- The school alleges that the loan record detail report incorrectly includes a borrower whose repayment date does not fall within the cohort fiscal year and the borrower should be removed from the cohort default rate calculation (incorrectly included).
- The school alleges that the loan record detail report incorrectly excludes a borrower who entered repayment within the cohort fiscal year and the borrower should be added to the cohort default rate calculation (incorrectly excluded).

What supporting documentation does a school need to submit with its allegations?

A school must submit documentation to support its allegations. Relevant supporting documentation includes, but is not limited to, the following:

- a copy of a letter to the relevant data manager that informs the entity of the borrower's last date of attendance or less-than-half-time date and proof that the documentation was timely sent to the data manager;
- a dated copy of a Student Status Confirmation Report (SSCR) that confirms the borrower's last date of attendance or less-than-half-time date and proof that the documentation was timely submitted;

- a screen print from the SSCR function within the National Student Loan Data System (NSLDS) that confirms the borrower's last date of attendance or less-than-half-time date was timely recorded within NSLDS; or
- a copy of a canceled check, front and back, or other documentation showing that the borrower's loan was fully refunded and canceled within 120 days of disbursement by the lender.

A school may contact the data manager for additional information on types of supporting documentation the school should submit to support an allegation. In addition to submitting documentation to support the allegation, the school must also submit proof that the supporting documentation was timely submitted to the data manager or NSLDS.

If the data a school submits was never originally submitted to the relevant data manager or NSLDS, or if the data was not submitted in a timely manner, the data manager should respond that the issue in question was determined based on the best information available at the time and that, as a result, no change is warranted for cohort default rate purposes.

Does a school need to submit loan record detail report pages with its allegations?

A school must always submit the appropriate pages of the loan record detail report to support its allegations. The school should include the loan record detail report page where the school is alleging the borrower data has been

- incorrectly reported,
- incorrectly included, or
- incorrectly excluded.

In certain circumstances the school must submit multiple loan record detail report pages from the same cohort fiscal year. If the borrower has multiple loans that appear on more than one page, the school should include each page where the borrower appears. If the borrower is missing from the cohort default rate calculation, and the missing borrower would have appeared at the bottom of one page or the top of the next page, the school should include both pages.

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In other circumstances the school must submit loan record detail report pages from multiple cohort fiscal years. If the school alleges that a borrower was incorrectly reported in one cohort fiscal year and should have been reported in another cohort fiscal year, the school must include the relevant loan record detail report pages from both cohort fiscal years.

Finally, in some circumstances the school must submit pages from the loan record detail report for the draft cohort default rates and the loan record detail report for the official cohort default rates. If the school is alleging that the loan record detail report for the official cohort default rates contains new data, the school must show the page(s) from the loan record detail report for the draft cohort default rates where the borrower initially appeared or should have appeared and the page(s) from the loan record detail report for the official cohort default rates where the new data appears or should have appeared.

What specific allegations and supporting documentation can a school submit?

On the following pages are five charts that outline allegations a school might submit. The allegations listed in this section are common allegations; a school may submit an allegation not covered in this section.

To use the charts, read down the left-hand column named "Allegation." Once you find an allegation that is appropriate to your situation (if you are a representative of a school) or an allegation a school has submitted (if you are a representative of a data manager), read across the chart to find an explanation of the allegation and a listing of the documentation required to support the allegation.

Figure 4.11.1 outlines several situations where a school believes a borrower was incorrectly reported on a loan record detail report because of an incorrect date entered repayment. If the date were changed, the borrower would either remain in the current cohort fiscal year or move to a different cohort fiscal year. In all of these situations the school must provide proof of timely submission of any required documentation. The school should also provide loan record detail report pages from the cohort fiscal year where the borrower is included and/or excluded and, if applicable, loan record detail report pages from the cohort fiscal year where the school believes the borrower should be included.

Figure 4.11.1

Borrower Incorrectly Reported Due to Inaccurate Date Entered Repayment

Allegation	What does the school allege?	What is the school requesting?	What supporting documentation should the school enclose?
Incorrect last date of attendance or less-than-half-time enrollment date	That the correct change in enrollment status was timely submitted to the data manager or NSLDS	That the date entered repayment be changed	Documentation of the enrollment status change
Unexpired grace period	That the borrower re-enrolled at least half-time at their school or another school before the grace period ended	That the date entered repayment be changed	Documentation of the enrollment status change
Death, disability, bankruptcy, or other type of discharge before expiration of grace period	That the loan was discharged before the borrower entered repayment	That the date entered repayment be changed to the date the loan was discharged	Documentation that the loan was discharged before the scheduled date entered repayment
Loan paid in full prior to expiration of grace period	That the loan was paid in full before the borrower entered repayment	That the date entered repayment be changed to the date the loan was paid in full	Documentation that the loan was paid in full before the scheduled date entered repayment
Repayment began before expiration of grace period	That the borrower began making scheduled loan payments before the expiration of the grace period	That the date entered repayment be changed to the date the borrower started repayment	Documentation showing that the borrower made a full scheduled payment before the scheduled date entered repayment
Federal SLS loan and Federal Stafford Loan not linked	That the borrower's Federal SLS loan and Federal Stafford Loan should be linked because the loans were obtained during the same period of continuous enrollment	That the date entered repayment be changed so that the Federal SLS loan and Federal Stafford Loan are linked in the same cohort default rate calculation	Documentation showing that the loans were obtained in the same period of continuous enrollment

Figure 4.11.2

Borrower Incorrectly Reported Due To Inaccurate Default Status

Figure 4.11.2 outlines several situations where a school believes a borrower was incorrectly reported in default on a loan record detail report. If the default were removed, the borrower would be removed from the numerator of the cohort default rate calculation and would remain only in the denominator of the cohort default rate calculation. In all of these situations the school must provide proof of timely submission of any required documentation. The school should also provide loan record detail report pages from the cohort fiscal year where the borrower is incorrectly reported in default.

Allegation	What does the school allege?	What supporting documentation should the school enclose?
Insufficient delinquency period	**That the borrower did not receive the entire pre-default delinquency period**	**The delinquency report from the data manager demonstrating the actual delinquency period**
In-school deferment	That the borrower received an in-school deferment and did not default during the cohort default period	The in-school deferment documentation
Forbearance	That the borrower received a forbearance and did not default during the cohort default period	The forbearance documentation
Death, disability, bankruptcy, or other type of loan discharge before default occurred	That the loan was discharged before the borrower defaulted during the cohort default period	Documentation that the loan was discharged before the default
Loan was repurchased and no subsequent claim paid	That the lender repurchased the loan due to incorrect claim submission and no subsequent default claim was paid on the loan during the cohort default period (Note: Repurchases due to courtesy or a new repayment plan will not remove the loan from default in the cohort default rate calculation)	The delinquency report from the data manager
Rehabilitation achieved	That the borrower successfully rehabilitated the loan for cohort default rate purposes	The borrower's repayment record from the servicer
Loan did not default for cohort default rate purposes	Loan did not default or loan did not default during the cohort default period	The borrower's repayment record from the servicer or the delinquency report from the data manager demonstrating the actual delinquency period

Figure 4.11.3 outlines three situations where a school believes a borrower is incorrectly reported on a loan record detail report because the borrower has multiple loans. In all of these situations the school must provide proof of timely submission of any required documentation.

Figure 4.11.3

Borrower Incorrectly Reported Due To Multiple Loan Allegations

Allegation	What does the school allege?	What is the school requesting?	What supporting documentation should the school enclose?	Which loan record detail report pages should the school enclose?
Wrong social security number – borrower is counted more than once in a cohort default rate calculation	That the borrower has been included more than once in the cohort default rate calculation because of two different social security numbers	The removal of the incorrect social security number and removal of the data if the loan is duplicated or the addition of the data under the correct social security number if the loan is not a duplicated loan	Documentation of the correct social security number	The pages from the cohort fiscal years where the borrower has been included under each social security number
Borrower has multiple loans in one cohort default rate calculation that belong in several cohort default rate calculations	That the borrower had one or more breaks in enrollment and used the entire grace period before obtaining more loans	A change to the date entered repayment and the removal of one or more loans from the same cohort fiscal year and the addition of those loans to the correct cohort fiscal year	Documentation of the enrollment status change	The pages from the cohort fiscal year where the borrower is included and, if applicable, the cohort fiscal year where the borrower should be included
Borrower has multiple loans that should be included in only one cohort default rate calculation	That the borrower was continuously enrolled at least half-time and did not use the entire grace period	A change to the date entered repayment and that all loans be moved to the correct cohort fiscal year	Documentation of the enrollment status history	The pages from the cohort fiscal year where the borrower is included and, if applicable, the cohort fiscal year where the borrower should be included

Figure 4.11.4 outlines two situations where a school believes a borrower was incorrectly included on a loan record detail report. If the allegation were upheld, the borrower would be removed from the numerator and denominator of the cohort default rate calculation. In both of these situations the school must provide proof of timely submission of any required documentation. The school should also provide loan record detail report pages from the cohort fiscal year where the borrower is incorrectly included.

Figure 4.11.4

Borrower Incorrectly Included Allegations

Allegation	What does the school allege?	What supporting documentation should the school enclose?
Loan fully cancelled	That the loan was fully cancelled within 120 days of disbursement (partially cancelled loans are included in the cohort default rate calculation)	Copies of the front and back of the cancelled check or documentation of an electronic funds transfer
Loan does not meet insurance requirements	That the lender did not meet the insurance requirements and the loan became an uninsured loan	Information from the data manager that the loan was repurchased by the lender

Figure 4.11.5 outlines a situation where a school believes a borrower was incorrectly excluded on a loan record detail report because of an incorrect date entered repayment. If the date entered repayment were changed, the borrower would be included in the cohort default rate calculation. The school must provide proof of timely submission of any required documentation. The school should also provide loan record detail report pages from the cohort fiscal year where the borrower is incorrectly excluded.

Figure 4.11.5

Borrower Incorrectly Excluded Allegation

Allegation	What does the school allege?	What supporting documentation should the school enclose?
Incorrect last date of attendance or less-than-half-time enrollment date	That the correct enrollment status information was timely submitted to the data manager or NSLDS	Documentation of the enrollment status change

There is one special allegation in which a non-degree-granting proprietary school believes that the cohort default rate calculation incorrectly includes a Direct Loan in default under other specified conditions. The school should ask the Direct Loan servicer to verify that the criteria for including the loan as defaulted have been met. If the Direct Loan servicer concludes that the loan's status has been determined accurately, and the loan meets the criteria to be counted as a defaulted loan, the Direct Loan servicer will send the school the repayment record for the loan. The school then reviews that record and, if it disagrees or questions the determination, the school may request clarification from the Direct Loan servicer within 15 calendar days. The Direct Loan Servicer then has 20 calendar days to respond to the school. If the Direct Loan servicer believes the loan's status has been determined incorrectly and agrees to remove the borrower from the numerator of the cohort default rate calculation, the Direct Loan servicer will not send repayment information to the school.

Spreadsheet Tools

General Spreadsheet Information

This chapter contains instructions for creating and completing the spreadsheets used when a school is submitting or a data manager is responding to challenges, adjustments, and appeals. Where possible, instructions for similar spreadsheets have been combined. There is a reduced version of a blank spreadsheet with each set of instructions. The spreadsheets should be created in landscape format using a spreadsheet software application such as Excel or Lotus 1-2-3. After creating the spreadsheet electronically, a school or data manager should save a blank copy of the electronic spreadsheet as a template for future use. The template should be updated if Default Management issues updates to the spreadsheets. The school or data manager should then complete the spreadsheet.

There are several things a school or data manager should do when creating and completing a spreadsheet. They include

- entering Social Security Numbers (SSNs) in a 000-00-0000 format;
- entering names in a Last Name, First Name format;
- entering dates in a MM/DD/CCYY format where M is month, D is Day, C is century, and Y is year;
- using the loan type codes from Figure 2.3.6 in Chapter 2.3, "Loan Record Detail Report;"
- entering data according to the school's records (when a school completes the spreadsheets) or entering data according to the data manager's records (when a data manager completes the spreadsheets) or the loan record detail report (if that data is accurate); and
- entering multiple loans of the same type with the same data on the same line and multiple loans of different types or with different data on separate lines.

CHAPTER 4.11 - Challenge, Adjustment, and Appeal Tools

Left-side Header Titles:

Type:
Cohort FY:
From:
  Code:
To:
  Code:

When completing the left-side header titles, the following information is requested:

Type: Enter the type of challenge, adjustment, or appeal being submitted.

Cohort FY: Enter the cohort fiscal year submitted.

From: Enter the entity completing the spreadsheet, either a school or a data manager.

Code: Enter the appropriate code for the entity completing the spreadsheet, either the OPE ID for a school or the data manager code for a data manager.

To: Enter the entity to which the spreadsheet will be submitted, either a school, a data manager, an independent auditor, or Default Management.

Code: Enter the appropriate code for the entity to which the spreadsheet will be submitted, either the OPE ID for a school, the data manager code for a data manager, or N/A (not applicable) for Default Management or an independent auditor.

There are also several optional things that can be done when creating and completing the spreadsheet to make the spreadsheet easier to read. They include

- bolding the spreadsheet titles,
- centering and bolding the column titles,
- making sure the columns are wide enough to fit all text,
- adding borders to the cells,
- repeating the information in the column headings at the top of each page (most software packages can do this automatically–check the software package's help function for assistance),
- sorting the spreadsheet by SSN or Last Name,
- printing a test copy to review for readability (a school or data manager may need to insert several lines prior to Row 1 in order to create sufficient space between the header and the spreadsheet), and
- setting up automatic pagination so that the specific page number and the total number of pages show in the footer on each page.

After the spreadsheet is created and completed, the spreadsheet should be printed on 8 1/2" x 11" paper in a landscape layout. The spreadsheet should be saved so it can be used again later in the process. For example, by cutting and pasting, a school could reuse an incorrect data challenge spreadsheet as an uncorrected data adjustment spreadsheet or an erroneous data appeal spreadsheet.

You should note that some spreadsheet programs limit the amount of information that can be placed in a header. If you get an error message that states the header has exceeded the maximum space limit, try abbreviating some of the titles in the header. As an alternative, you can list some of the titles in the first few lines of the spreadsheets instead of in the header. However, if you list titles in the first few lines of the spreadsheet, make sure you set the spreadsheet program to repeat those lines on all of the pages of the spreadsheet.

There are also full-sized blank spreadsheets at the end of this chapter. A school or data manager may photocopy and use the full-sized blank spreadsheets instead of creating their own spreadsheets. If a school or data manager photocopies and uses the full-sized blank spreadsheet, they should remember to return the full-sized blank spreadsheet to this chapter of the Guide. They should also remember to circle the appropriate titles on the spreadsheet, since many of the spreadsheets are designed to be multi-purpose, covering several different challenge, adjustment, or appeal types.

A school or data manager may also obtain electronic templates of the spreadsheets from Default Management. Contact Default Management at 1-202-708-6048 for additional information.

After the spreadsheet is completed, it should be sent to the appropriate location (for a school, this will be to a data manager, an independent auditor, or Default Management; for a data manager, this will be a school or Default Management) along with the other challenge, adjustment, or appeal materials.

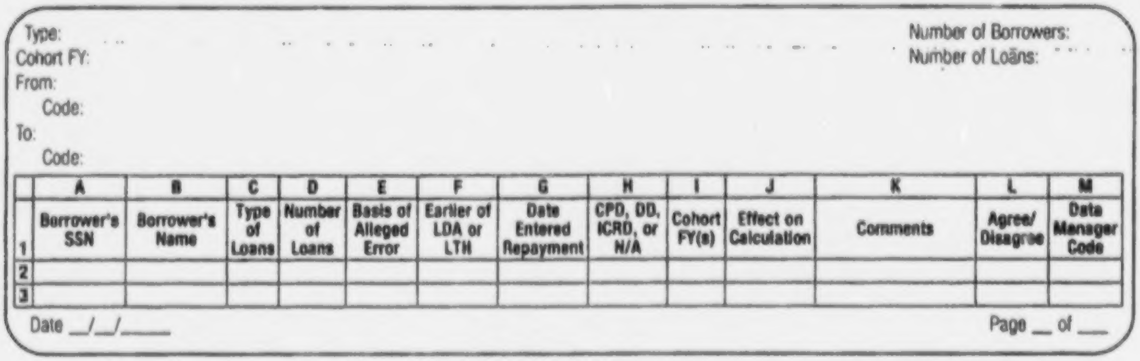
Although a school is required to submit a hardcopy of a spreadsheet to a data manager, some data managers may be willing to accept an electronic copy of a spreadsheet in addition to the hardcopy of a spreadsheet. Submitting an electronic copy in addition to the hardcopy may speed processing. A school should contact the relevant data manager to see if the data manager will accept an electronic copy in addition to the hardcopy.

Figure 4.11.6

Blank Incorrect Data Challenge/New Data Adjustment/Erroneous Data Appeal Spreadsheet

Incorrect Data Challenge / New Data Adjustment / Erroneous Data Appeal Spreadsheet Instructions

Figure 4.11.6 is an example of a blank incorrect data challenge/ new data adjustment/erroneous data appeal spreadsheet that can be used by either a data manager or a school.



Type:
Cohort FY:
From:
Code:
To:
Code:

Number of Borrowers:
Number of Loans:

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Borrower's SSN	Borrower's Name	Type of Loans	Number of Loans	Basis of Alleged Error	Earlier of LDA or LTH	Date Entered Repayment	CPD, DD, ICRD, or N/A	Cohort FY(s)	Effect on Calculation	Comments	Agree/ Disagree	Data Manager Code
2													
3													

Date __/__/____

Page __ of __

Left-side Header Titles:
Type:
Cohort FY:
From:
Code:
To:
Code:

- ❖ Left-side Header: Enter the titles shown in Figure 4.11.6. After each title, enter the information appropriate to that title.

Right-side Header Titles:
Number of Borrowers:
Number of Loans:

- ❖ Right-side Header: Enter the titles shown in Figure 4.11.6. After each title, enter the information appropriate to that title. The information cannot be entered until the remainder of the spreadsheet is created and completed. After "Number of Borrowers:" enter the borrowers from Column A. Do not count a borrower more than once. After "Number of Loans:" enter the total loans from Column D.

- ❖ Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

Use for:

Incorrect Data Challenge
- School to Data Manager
- Data Manager to School

New Data Adjustment
- School to Data Manager
- Data Manager to School

Erroneous Data Appeal
- School to Data Manager
- Data Manager to School
- School to Default Management

For each Column A through M, on Row 1 enter the title as shown in Figure 4.11.6. Then, beginning with Row 2, enter the corresponding information as listed below:

- ❖ Column A, *Borrower's SSN*: Enter the SSNs of all the borrowers.
- ❖ Column B, *Borrower's Name*: Enter the names of the individuals whose SSNs are listed in Column A.
- ❖ Column C, *Type of Loan*: Enter the code for the loan.
- ❖ Column D, *Number of Loans*: Enter the number of loans the borrower received for the loan type listed in Column C for that data manager.

- Column E, *Basis of Alleged Error*: Enter "Disputed" if the errors are alleged on the basis of disputed data or "New" if the errors are alleged on the basis of new data. Include this column only when creating an erroneous data appeal spreadsheet.

- Column F, *Earlier of LDA or LTH*: Enter the earlier of the student's last date of attendance (LDA) or the date the student dropped below half-time enrollment (LTH) based on the school's records (if a school is completing the spreadsheet) or the data manager's records (if the data manager is completing the spreadsheet) for each borrower listed in Column A.

- Column G, *Date Entered Repayment*: Enter the date the loan entered repayment (DER) based on the school's records or the data manager's records for each borrower listed in Column A.

- Column H, *CPD, DD, ICRD, or N/A*: Enter the CPD (claim paid date), DD (default date), or ICRD (Income Contingent Repayment date), or enter "N/A" if the loan has not defaulted, based on the school's records or the data manager's records for each borrower listed in Column A.

- Column I, *Cohort FY(s)*: Enter the cohort fiscal year(s) of the cohort default rate(s) which may be changed as a result of the data correction.

- Column J, *Effect on Calculation*: Enter N (numerator), D (denominator), or B (both numerator and denominator), accompanied by a plus or minus sign (such as +D or –D) to show how the school or the data manager believes the information will affect the cohort default rate calculation.

- Column K, *Comments*: Enter any comments. A data manager should make a comment to identify why the data manager agreed or disagreed. The data manager should also provide documentation to support the data manager's determination.

- Column L, *Agree/Disagree*: A data manager should enter "agree" or "disagree" depending on whether the data manager agrees or disagrees with the school's allegation. This column will be completed only by data managers.

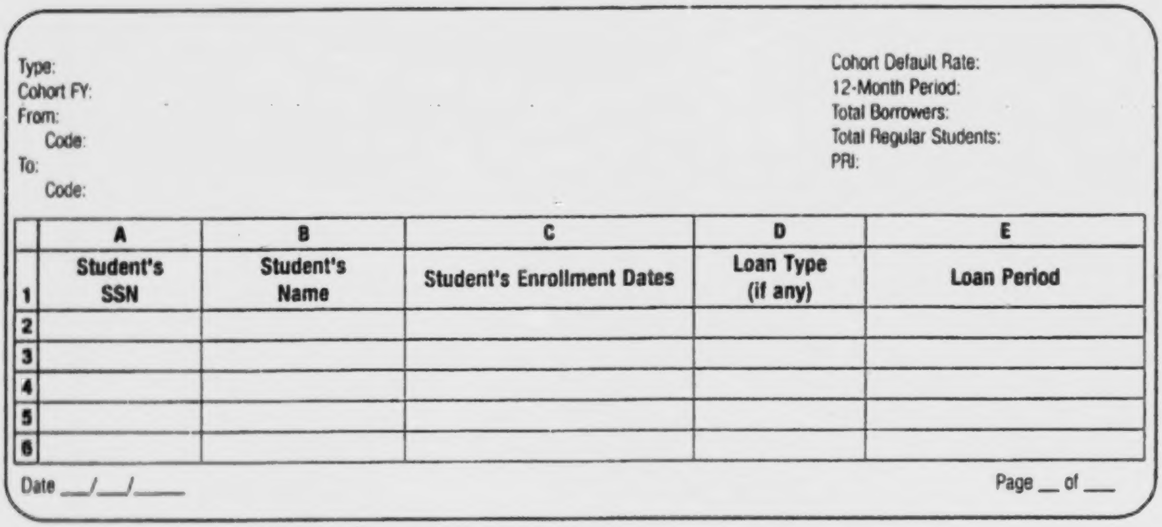
- Column M, *Data Manager Code*: Enter the code for the data manager that sent the letters listed in Column D. Include this column when creating an erroneous data spreadsheet to Default Management.

Participation Rate Index Spreadsheet Instructions

Figure 4.11.7

Blank Participation Rate Index Spreadsheet

Figure 4.11.7 is an example of a blank participation rate index spreadsheet.



Type:
Cohort FY:
From:
Code:
To:
Code:

Cohort Default Rate:
12-Month Period:
Total Borrowers:
Total Regular Students:
PRI:

	A	B	C	D	E
1	Student's SSN	Student's Name	Student's Enrollment Dates	Loan Type (if any)	Loan Period
2					
3					
4					
5					
6					

Date __/__/____

Page __ of ___

Left-side Header Titles:
Type:
Cohort FY:
From:
Code:
To:
Code:

- Left-side Header: Enter the titles shown in Figure 4.11.7. After each title, enter the information appropriate to that title.

Right-side Header Titles:
Cohort Default Rate:
12-Month Period:
Total Borrowers:
Total Regular Students:
PRI:

- Right-side Header: Enter the titles shown in Figure 4.11.7. After each title, enter the information appropriate to that title. After "Cohort Default Rate" enter the cohort default rate used in the participation rate index challenge or the participation rate index appeal. After "12-Month Period" enter the selected 12-month period. The information in the next three lines cannot be entered until the remainder of the spreadsheet is created and completed. After "Total Borrowers:" enter the borrowers from Column D. After "Total Regular Students:" enter the total students from Column A. After "PRI:" enter the participation rate index. Calculate the participation rate index by dividing the total borrowers by the total regular students and multiplying the result by the cohort default rate.

Use for:

Participation Rate Index Challenge
- School to Default Management

Participation Rate Index Appeal
- School to Default Management

- Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

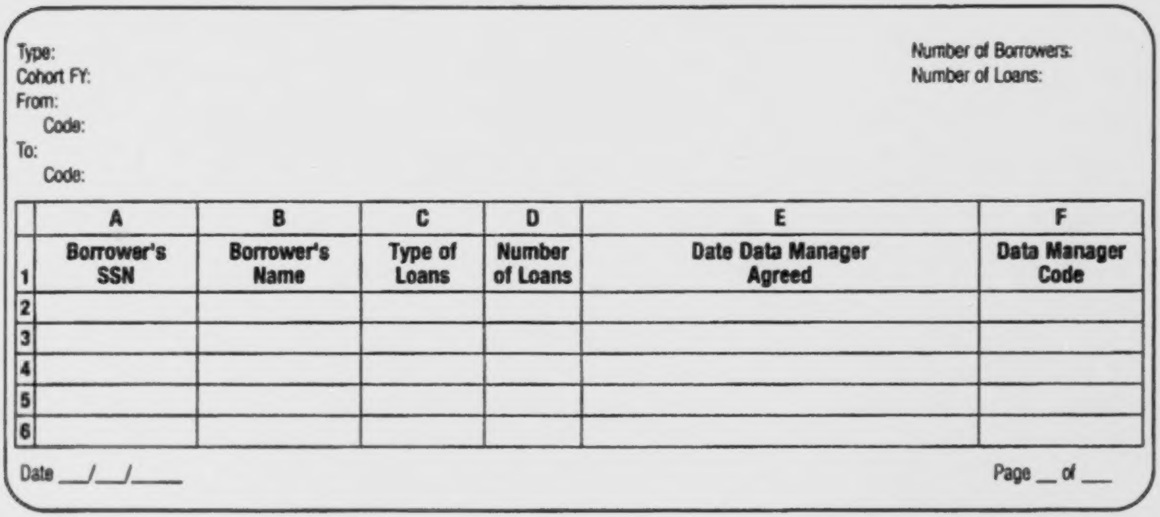
For each Column A through E, on Row 1 enter the title as shown in Figure 4.11.7. Then, beginning with Row 2, enter the corresponding information as listed below:

- Column A, *Student's SSN*: Enter the SSNs of all the regular students enrolled on at least a half-time basis during any part of the selected 12-month period. These are the students who will be counted in the denominator of the participation rate index.
- Column B, *Student's Name*: Enter the names of the students whose SSNs are listed in Column A.
- Column C, *Student's Enrollment Dates*: Enter the student's beginning enrollment date and ending enrollment date.
- Column D, *Loan Type (if any)*: Enter the type of loan (FFEL or DL) for those students in Column A who received loans with a loan period that overlaps the selected 12-month period. Enter "No" if the student did not receive a loan or the loan period does not overlap the 12-month period. These are the borrowers who will be included in the numerator of the participation rate index.
- Column E, *Loan Period*: Enter the beginning date and ending date of the loan period. If Column D is marked "No," enter "N/A." If the borrower has more than one loan, list the loan periods associated with each loan. However, the borrower is only counted once in the participation rate index calculation.

Uncorrected Data Adjustment / New Data Adjustment Spreadsheet Instructions

Blank Uncorrected Data Adjustment/New Data Adjustment Spreadsheet

Figure 4.11.8 is an example of a blank uncorrected data adjustment/ new data adjustment spreadsheet.



Type:
Cohort FY:
From:
Code:
To:
Code:

Number of Borrowers:
Number of Loans:

	A	B	C	D	E	F
1	**Borrower's SSN**	**Borrower's Name**	**Type of Loans**	**Number of Loans**	**Date Data Manager Agreed**	**Data Manager Code**
2						
3						
4						
5						
6						

Date __/__/____

Page __ of __

Left-side Header Titles:
Type:
Cohort FY:
From:
Code:
To:
Code:

Right-side Header Titles:
Number of Borrowers:
Number of Loans:

- Left-side Header: Enter the titles shown in Figure 4.11.8. After each title, enter the information appropriate to that title.

- Right-side Header: Enter the titles shown in Figure 4.11.8. After each title, enter the information appropriate to that title. The information cannot be entered until the remainder of the spreadsheet is created and completed. After "Number of Borrowers:" enter the borrowers from Column A. Do not count a borrower more than once. After "Number of Loans:" enter the total loans from Column D.

- Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

Use for:

Uncorrected Data Adjustment
- School to Default Management

New Data Adjustment
- School to Default Management

For each Column A through F, on Row 1 enter the title as shown in Figure 4.11.8. Then, beginning with Row 2, enter the corresponding information as listed below:

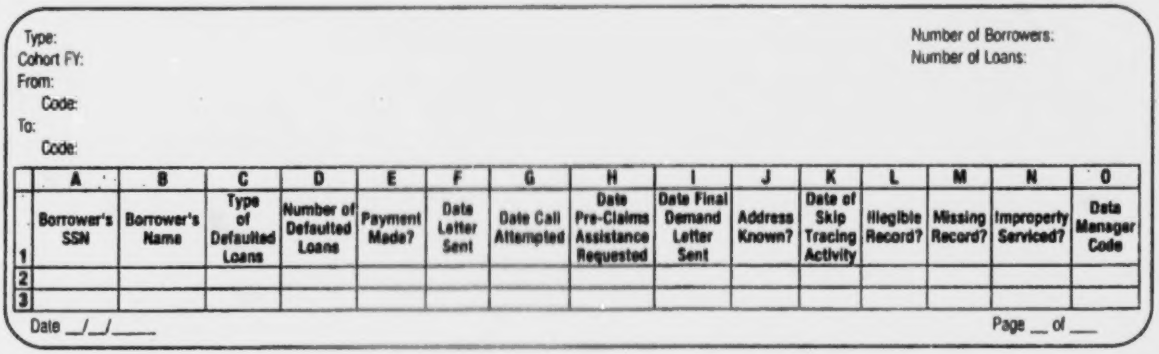
- Column A, *Borrower's SSN*: Enter the SSNs of all the borrowers for whom the school is requesting an adjustment.
- Column B, *Borrower's Name*: Enter the names of the individuals whose SSNs are listed in Column A.
- Column C, *Type of Loans*: Enter the code for the loan.
- Column D, *Number of Loans*: Enter the number of loans the borrower received for the loan type listed in Column C for that data manager.
- Column E, *Date Data Manager Agreed*: For each borrower in Column A, enter the date of the data manager response letter from the Incorrect Data Challenge for an uncorrected data adjustment spreadsheet or for the new data adjustment allegations response for a new data adjustment spreadsheet.
- Column F, *Data Manager Code*: Enter the code for the data manager that sent the response letters listed in Column E.

Loan Servicing Appeal Spreadsheet Instructions

Figure 4.11.9

Blank Loan Servicing Appeal Spreadsheet

Figure 4.11.9 is an example of a blank loan servicing appeal spreadsheet that can be used by either a data manager or a school.



Type:
Cohort FY:
From:
Code:
To:
Code:

Number of Borrowers:
Number of Loans:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Borrower's SSN	Borrower's Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-Claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Record?	Missing Record?	Improperly Serviced?	Data Manager Code
2															
3															

Date __/__/____

Page __ of __

Left-side Header Titles:
Type:
Cohort FY:
From:
Code:
To:
Code:

- ❖ Left-side Header: Enter the titles shown in Figure 4.11.9. After each title, enter the information appropriate to that title.

Right-side Header Titles:
Number of Borrowers:
Number of Loans:

- ❖ Right-side Header: Enter the titles shown in Figure 4.11.9. After each title, enter the information appropriate to that title. The information cannot be entered until the remainder of the spreadsheet is created and completed. After "Number of Borrowers:" enter the borrowers from Column A. Do not count a borrower more than once. After "Number of Loans:" enter the total loans from Column D.

- ❖ Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

Use for:

Loan Servicing Appeal
- Data Manager to School
- School to Default Management

For each Column A through O, on Row 1 enter the title as shown in Figure 4.11.9. Then, beginning with Row 2, enter the corresponding information as listed below:

- ❖ Column A, *Borrower's SSN*: Enter the SSNs of all the borrowers in the sample.

- ❖ Column B, *Borrower's Name*: Enter the names of the individuals whose SSNs are listed in Column A.

- ❖ Column C, *Type of Defaulted Loans*: Enter the code for the loan.

- ❖ Column D, *Number of Defaulted Loans*: Enter the number of loans the borrower received for the loan type listed in Column C for that data manager.

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- Column E, *Payment Made?*: Enter "Yes" or "No."

- Column F, *Date Letter Sent*: Enter the date a letter other than the final demand letter was sent. If no letter other than the final demand letter was sent, enter "No."

- Column G, *Date Call Attempted*: Enter the date an attempt was made to contact the borrower by telephone. If no telephone call was attempted, enter "No."

- Column H, *Date Pre-Claims Assistance Requested*: Enter the date pre-claims assistance was requested. If pre-claims assistance was not requested, enter "No." If the loan is a Direct Loan, enter "N/A."

- Column I, *Date Final Demand Letter Sent*: Enter the date the final demand letter was sent. If no final demand letter was sent, enter "No."

- Column J, *Address Known?*: Enter "Yes" or "No."

- Column K, *Date of Skip Tracing Activity*: Enter the date the skip tracing took place if the borrower's address was unknown. If skip tracing did not take place or skip tracing was not required, enter "No." If the borrower's address was known, enter "N/A."

- Column L, *Illegible Record?*: Enter "Yes" if the loan serving record the data manager provided was illegible. If the loan servicing record was legible, enter "No."

- Column M, *Missing Record?*: Enter "Yes" if the data manager failed to provide a loan servicing record. If the data manager provided a loan servicing record, enter "No."

- Column N, *Improperly Serviced?*: Enter "Yes" for each loan that is improperly serviced for cohort default rate purposes. See the definition of improperly serviced in Chapter 4.6, "Loan Servicing Appeal." If a loan is properly serviced for cohort default rate purposes, it should be deleted from the spreadsheet and should not be sent to Default Management for review.

- Column O, *Data Manager Code*: Enter the code for the data manager that sent the letters listed in Column F. This column should only be included when completing a school loan servicing appeal spreadsheet to Default Management.

Low Income Rate Spreadsheet Instructions

Figure 4.11.10

Blank Low Income Rate Spreadsheet

Figure 4.11.10 is an example of a blank low income rate spreadsheet.

Type:
Cohort FY:
From:
Code:
To:
Code:

12-Month Period:
Award Years:
Calendar Years:
Low Income Students:
Total Students:
Low Income Rate:

	A	B	C	D	E	F
1	**Student's SSN**	**Student's Name**	**Student's Enrollment Dates**	**Economically Disadvantaged**	**EFC and Award Year**	**AGI, Family Size, and Calendar Year**
2						
3						
4						
5						
6						

Date __/__/____

Page __ of ___

- Left-side Header: Enter the titles shown in Figure 4.11.10. After each title, enter the information appropriate to that title.

- Right-side Header: Enter the titles shown in Figure 4.11.10. After each title, enter the information appropriate to that title. After "12-Month Period:" enter the selected 12-month period. After "Award Years:" enter the award years coinciding with the 12-month period. After "Calendar Years:" enter the calendar years coinciding with the 12-month period. The information in the next three lines cannot be entered until the remainder of the spreadsheet is created and completed. After "Low Income Students:" enter the students from Column D. After "Total Students:" enter the students from Column A. After "Low Income Rate:" enter the low income rate. Calculate the low income rate by dividing the low income students by the total students.

- Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

Left-side Header Titles:
Type:
Cohort FY:
From:
Code:
To:
Code:

Right-side Header Titles:
12-Month Period:
Award Years:
Calendar Years:
Low Income Students:
Total Students:
Low Income Rate:

Use for:

Economically Disadvantaged Appeal
- School to Independent Auditor
- School to Default Management

For each Column A through F, on Row 1 enter the title as shown in Figure 4.11.10. Then, beginning with Row 2, enter the corresponding information as listed below:

- Column A, *Student's SSN*: Enter the SSNs of all the students enrolled on at least a half-time basis in a Title IV eligible program during any part of the selected 12-month period. These are the students who will be counted in the denominator of the low income rate calculation.
- Column B, *Student's Name*: Enter the names of the students whose SSNs are listed in Column A.
- Column C, *Student's Enrollment Dates*: Enter the student's beginning enrollment date and ending enrollment date.
- Column D, *Economically Disadvantaged*: Enter "Yes" if the student meets the criteria for low income outlined in the section of Chapter 4.7, "Economically Disadvantaged Appeal," entitled "How does a school calculate its low income rate?" If the student is not considered low income, enter "No." These are the students who will be counted in the numerator of the low income rate calculation.
- Column E, *EFC and Award Year*: Enter the student's EFC and the applicable award year if the student is considered low income because of his or her EFC. Enter the information in the following format: EFC/Award Year. If Column D is marked "No," enter "N/A." If the student is considered low income because of his or her AGI, enter "N/A."
- Column F, *AGI, Family Size, and Calendar Year*: Enter the student's AGI, family size, and the applicable calendar year if the student is considered low income because of his or her AGI. Enter the information in the following format: AGI/Family Size/Calendar Year. If Column D is marked "No," enter "N/A." If the student is considered low income because of his or her EFC, enter "N/A."

Figure 4.11.11

Blank Placement Rate Spreadsheet

Placement Rate Spreadsheet Instructions

Figure 4.11.11 is an example of a blank placement rate spreadsheet.

Type:
Cohort FY:
From:
Code:
To:
Code:

12-Month Period:
Placed Students:
Total Students:
Placement Rate:

	A	B	C	D	E	F	G	H	I
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student's Program of Study	Student Placed	Student's Employment Dates	Student's Job Description	Student's Employer: Name, Address and Phone
2									
3									
4									
5									
6									

Date __/__/___

Page __ of ___

Left-side Header Titles:
Type:
Cohort FY:
From:
Code:
To:
Code:

- Left-side Header: Enter the titles shown in Figure 4.11.11. After each title, enter the information appropriate to that title.

Right-side Header Titles:
12-Month Period:
Placed Students:
Total Students:
Placement Rate:

- Right-side Header: Enter the titles shown in Figure 4.11.11. After each title, enter the information appropriate to that title. After "12-Month Period" enter the selected 12-month period. The information in the next three lines cannot be entered until the remainder of the spreadsheet is created and completed. After "Placed Students" enter the students from Column F. After "Total Students" enter the students from Column A. After "Placement Rate:" enter the placement rate. Calculate the placement rate by dividing the placed students by the total students.

Use for:

- Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

Economically Disadvantaged Appeal
- School to Independent Auditor
- School to Default Management

For each Column A through I, on Row 1 enter the title as shown in Figure 4.11.11. Then, beginning with Row 2, enter the corresponding information as listed below:

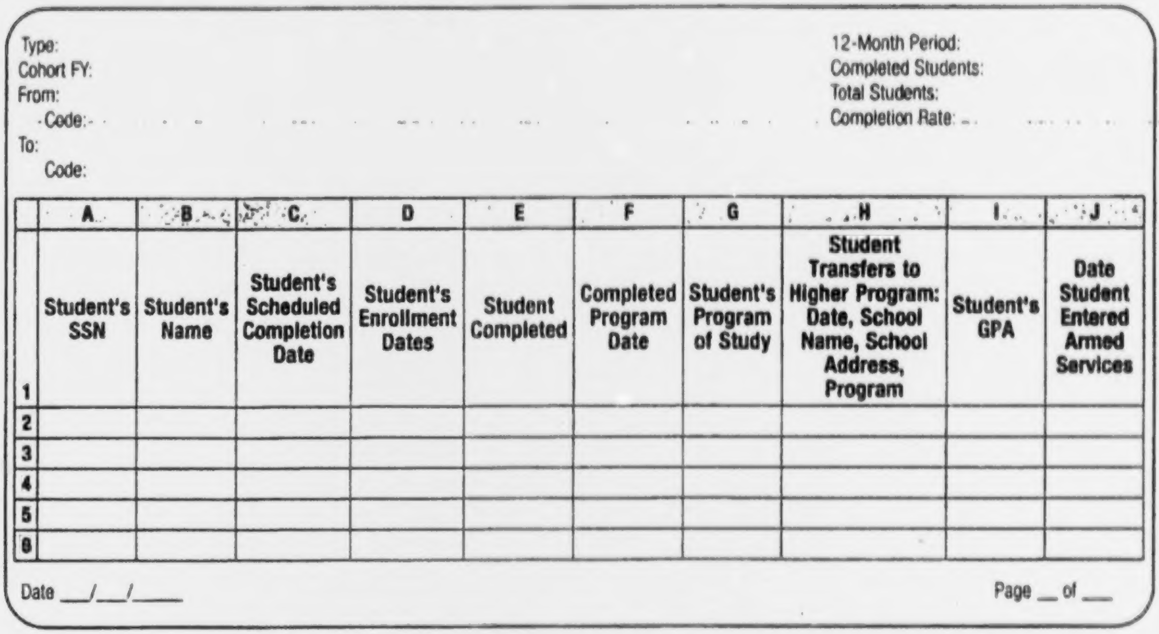
- Column A, *Student's SSN*: Make an entry for each student who meets the criteria for inclusion outlined in the section of Chapter 4.7, "Economically Disadvantaged Appeal," entitled "How does a non-degree granting school calculate its placement rate?" These are the students who will be counted in the denominator of the placement rate calculation.
- Column B, *Student's Name*: Enter the names of the students whose SSNs are listed in Column A.
- Column C, *Student's Scheduled Completion Date*: Enter the student's scheduled completion date.
- Column D, *Student's Enrollment Dates*: Enter the student's beginning enrollment date and ending enrollment date.
- Column E, *Student's Program of Study*: Enter the student's program of study. Do not use abbreviations.
- Column F, *Student Placed*: Enter "Yes" if the student meets the criteria for placement outlined in the section of Chapter 4.7, "Economically Disadvantaged Appeal," entitled "How does a non-degree-granting school calculate its placement rate?" If the student does not meet these criteria, enter "No." These are the students who will be counted in the numerator of the placement rate calculation.
- Column G, *Student's Employment Dates*: For every student with a "Yes" in Column F, enter the student's beginning employment date and ending employment date. If the student is still employed, enter "present" as the student's ending employment date. If there is a "No" in Column F, enter "N/A."
- Column H, *Student's Job Description*: For every student with a "Yes" in Column F, enter the student's job description. Do not use abbreviations. If there is a "No" in Column F, enter "N/A."
- Column I, *Student's Employer: Name, Address, and Phone*: For every student with a "Yes" in Column F, enter the employer's name, address, and telephone number. If there is a "No" in Column F, enter "N/A."

Completion Rate Spreadsheet Instructions

Figure 4.11.12

Blank Completion Rate Spreadsheet

Figure 4.11.12 is an example of a blank completion rate spreadsheet.



Type:
Cohort FY:
From:
Code:
To:
Code:

12-Month Period:
Completed Students:
Total Students:
Completion Rate:

	A	B	C	D	E	F	G	H	I	J
1	Student's SSN	Student's Name	Student's Scheduled Completion Date	Student's Enrollment Dates	Student Completed	Completed Program Date	Student's Program of Study	Student Transfers to Higher Program: Date, School Name, School Address, Program	Student's GPA	Date Student Entered Armed Services
2										
3										
4										
5										
6										

Date __/__/____

Page __ of ___

Left-side Header Titles:
Type:
Cohort FY:
From:
Code:
To:
Code:

- Left-side Header: Enter the titles shown in Figure 4.11.12. After each title, enter the information appropriate to that title.

Right-side Header Titles:
12-Month Period:
Completed Students:
Total Students:
Completion Rate:

- Right-side Header: Enter the titles shown in Figure 4.11.12. After each title, enter the information appropriate to that title. After "12-Month Period" enter the selected 12-month period. The information in the next three lines cannot be entered until the remainder of the spreadsheet is created and completed. After "Completed Students" enter the students from Column E. After "Total Students" enter the students from Column A. After "Completion Rate:" enter the completion rate. Calculate the completion rate by dividing the completed students by the total students.

Use for:

Economically Disadvantaged Appeal
- School to Independent Auditor
- School to Default Management

- Footer: Include a footer showing the date the spreadsheet was prepared and the page number.

For each Column A through J, on Row 1 enter the title as shown in Figure 4.11.12. Then, beginning with Row 2, enter the corresponding information as listed below:

- Column A, *Student's SSN*: Enter the SSNs for the former regular students initially enrolled on a full-time basis in a Title IV eligible program who were originally scheduled to complete their programs during the selected 12-month period. These are the students who will be counted in the denominator of the completion rate calculation.

- Column B, *Student's Name*: Enter the names of the students whose SSNs are listed in Column A.

- Column C, *Student's Scheduled Completion Date*: Enter the student's scheduled completion date.

- Column D, *Student's Enrollment Dates*: Enter the student's beginning enrollment date and ending enrollment date.

- Column E, *Student Completed*: Enter "Yes" if the student meets the criteria outlined in the "How does a degree-granting school calculate its completion rate?" section of Chapter 4.7, "Economically Disadvantaged Appeal." If the student does not meet these criteria, enter "No." These are the students who will be counted in the numerator of the completion rate calculation.

- Column F, *Completed Program Date*: Enter the completion date for every student who met the completion criteria by completing the program. If the student did not meet the completion criteria, enter "N/A."

- Column G, *Student's Program of Study*: Enter the student's program of study for every student who met the completion criteria by transferring to a higher level program. Do not use abbreviations. If the student did not transfer to a higher level program, enter "N/A."

- Column H, *Student Transfers to Higher Program: Date, School Name, School Address, Program*: For every student with an entry other than "N/A" in Column G, enter the school name, school address, program, and date. If there is no entry or "N/A" in Column G, enter "N/A."

- Column I, *Student's GPA*: Enter the Grade Point Average (GPA) on the last day of the 12-month period for every student who met the completion criteria by remaining enrolled and maintaining satisfactory academic progress. If the student did not remain enrolled, enter "N/A."

- Column J, *Date Student Entered Armed Services*: Enter the entry date for every student who met the completion criteria by entering the Armed Services. If the student did not enter the Armed Services, enter "N/A."

Full-Sized Blank Spreadsheets

The following pages contain seven full-sized versions of the sample spreadsheets created in this chapter. A school or data manager may photocopy and use the full-sized blank spreadsheets instead of creating their own spreadsheets. In order, they include

- Incorrect Data Challenge / New Data Adjustment / Erroneous Data Appeal Spreadsheet
- Participation Rate Index Spreadsheet
- Uncorrected Data Adjustment / New Data Adjustment Spreadsheet
- Loan Servicing Appeal Spreadsheet
- Low Income Rate Spreadsheet
- Placement Rate Spreadsheet
- Completion Rate Spreadsheet

Type: **Incorrect Data Challenge / New Data Adjustment / Erroneous Data Appeal**
Cohort FY:
From:
Code:
To:
Code:

Number of Borrowers:
Number of Loans:

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	**Borrower's SSN**	**Borrower's Name**	**Type of Loans**	**Number of Loans**	**Basis of Alleged Error**	**Earlier of LDA or LTH**	**Date Entered Repayment**	**CPD, DD, ICRD, or N/A**	**Cohort FY(s)**	**Effect on Calculation**	**Comments**	**Agree/ Disagree**	**Data Manager Code**
2													
3													
4													
5													
6													
7													
8													
9													
10													
11													
12													
13													
14													
15													
16													
17													
18													
19													
20													
21													
22													
23													
24													
25													

Date ___/___/______

Page __ of ___

Type: **Participation Rate Index**
Cohort FY:
From:
Code:
To:
Code:

Cohort Default Rate:
12-Month Period:
Total Borrowers:
Total Regular Students:
PRI:

	A	B	C	D	E
1	**Student's SSN**	**Student's Name**	**Student's Enrollment Dates**	**Loan Type (if any)**	**Loan Period**
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					

Date __/__/____

Page __ of ___

Type: **Uncorrected Data Adjustment / New Data Adjustment**
Cohort FY:
From:
Code:
To:
Code:

Number of Borrowers:
Number of Loans:

	A	B	C	D	E	F
1	**Borrower's SSN**	**Borrower's Name**	**Type of Loans**	**Number of Loans**	**Date Data Manager Agreed**	**Data Manager Code**
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
21						
22						
23						
24						
25						

Date ___/___/_____

Page __ of ___

Type: **Loan Servicing Appeal**
Cohort FY:
From:
Code:
To:
Code:

Number of Borrowers:
Number of Loans:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	Borrower's SSN	Borrower's Name	Type of Defaulted Loans	Number of Defaulted Loans	Payment Made?	Date Letter Sent	Date Call Attempted	Date Pre-Claims Assistance Requested	Date Final Demand Letter Sent	Address Known?	Date of Skip Tracing Activity	Illegible Record?	Missing Record?	Improperly Serviced?	Data Manager Code
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
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18															
19															
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21															
22															
23															
24															
25															

Date ___/___/______

Page __ of ___

Type: **Low Income Rate**
Cohort FY:
From:
Code:
To:
Code:

12-Month Period:
Award Years:
Calendar Years:
Low Income Students:
Total Students:
Low Income Rate:

	A	B	C	D	E	F
1	**Student's SSN**	**Student's Name**	**Student's Enrollment Dates**	**Economically Disadvantaged**	**EFC and Award Year**	**AGI, Family Size, and Calendar Year**
2						
3						
4						
5						
6						
7						
8						
9						
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11						
12						
13						
14						
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16						
17						
18						
19						
20						
21						
22						
23						
24						
25						

Date __/__/____

Page __ of ___

Type: **Placement Rate**
Cohort FY:
From:
Code:
To:
Code:

12-Month Period:
Placed Students:
Total Students:
Placement Rate:

	A	B	C	D	E	F	G	H	I
1	**Student's SSN**	**Student's Name**	**Student's Scheduled Completion Date**	**Student's Enrollment Dates**	**Student's Program of Study**	**Student Placed**	**Student's Employment Dates**	**Student's Job Description**	**Student's Employer: Name, Address and Phone**
2									
3									
4									
5									
6									
7									
8									
9									
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21									
22									
23									
24									
25									

Date __/__/____

Page __ of __

Type: **Completion Rate**
Cohort FY:
From:
Code:
To:
Code:

12-Month Period:
Completed Students:
Total Students:
Completion Rate:

	A	B	C	D	E	F	G	H	I	J
1	**Student's SSN**	**Student's Name**	**Student's Scheduled Completion Date**	**Student's Enrollment Dates**	**Student Completed**	**Completed Program Date**	**Student's Program of Study**	**Student Transfers to Higher Program: Date, School Name, School Address, Program**	**Student's GPA**	**Date Student Entered Armed Services**
2										
3										
4										
5										
6										
7										
8										
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25										

Date ___/___/______

Page __ of ___

Glossary

A 1
BC 2
D 3
E 5
F 6
GHI 7
L 8
M 9
N 10
OP 11
RS 12
TUW 13

A

Adjustment: An action a school can bring after the release of the official cohort default rates. There are two types of adjustments: an uncorrected data adjustment and a new data adjustment.

AGI: Abbreviation used to refer to adjusted gross income.

Allegation: For cohort default purposes, a school statement about the accuracy of specific loan information data on the loan record detail report.

Appeal: An action a school can bring after release of the official cohort default rates. There are six types of appeals: an erroneous data appeal, a loan servicing appeal, an economically disadvantaged appeal, a participation rate index appeal, an average rates appeal, and a thirty-or-fewer borrowers appeal.

Average Rate: One of two methods of calculating an official cohort default rate. The average rate formula is used to calculate the official cohort default rate for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year that had a cohort default rate calculated for the two previous cohort fiscal years.

Average Rates Appeal: As described in Section 668.196 of Title 34 of the Code of Federal Regulations (34 CFR 668.196). A school facing sanction based on three consecutive official cohort default rates of 25.0 percent or greater is not subject to that sanction if at least two of these official cohort default rates are average rates and would have been less than 25.0 percent if they had been calculated using only the data for that cohort fiscal year alone. In addition, a school facing sanction based on one official cohort default rate that is greater than 40.0 percent is not subject to that sanction if the official cohort default rate was calculated as an average rate.

Award Year: The period of time from July 1 of one year to June 30 of the following year. The year used in some Title IV programs.

B

Benefit: Advantage granted to schools with low official cohort default rates. Schools with low official cohort default rates may be exempt from certain loan disbursement requirements.

C

CAM: Abbreviation used to refer to Client Account Manager.

Case Management: The office within SFA that reviews school compliance with the student financial assistance regulations.

CFR: Abbreviation used to refer to the Code of Federal Regulations.

Challenge: An action a school can bring after release of the draft cohort default rates. There are two types of challenges: an incorrect data challenge and a participation rate index challenge.

Claim Paid Date: The date a guaranty agency reimburses a lender for a defaulted FFEL. This date is used to determine if the borrower will be placed in the numerator of the cohort default rate calculation. If the claim paid date falls within the cohort default period, the borrower is included in both the denominator and numerator of the cohort default rate calculation.

Client Account Manager: The individual agents within Direct Loan Schools Relations.

Cohort Default Period: The two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year.

Cohort Default Rate Calculation: As described in 34 CFR 668.183. The percentage of a school's borrowers who enter repayment on certain FFELs and/or Direct Loans and default (or meet other specified conditions).

Cohort Fiscal Year: The fiscal year for which the cohort default rate is calculated.

Commonality of Ownership: A commonality of ownership or management exists between schools if, at each school, the same person, or a member of that person's family, directly or indirectly holds or held a managerial role or has or had the ability to substantially affect the school's actions.

Completion Rate: As described in 34 CFR 668.194(c). The percentage of students enrolled at a school who completed their program. Used by degree-granting schools when submitting an economically disadvantaged appeal.

Consolidation: The process of repaying an existing loan account with a new loan. Generally, the borrower combines multiple loans into one new loan.

CPD: Abbreviation used to refer to the claim paid date.

D

Data Manager: Depending on the loan, a data manager may be the Direct Loan Servicer, a guaranty agency, or in some instances, Default Management.

Data Manager Code: A code number used to identify the data manager for a loan. Another name for the Guarantor/Servicer Code.

Date Entered Repayment: The date when the borrower begins repayment on a loan. Generally, the date entered repayment occurs after the end of a grace period.

DD: Abbreviation used to refer to the default date.

Default: Except in other specified conditions, a FFEL is considered to be in default for cohort default rate purposes only if the guaranty agency has paid a default claim on the loan to the lender. Except in other specified conditions, a Direct Loan is considered to be in default for cohort default rate purposes after 360 days of delinquency (or after 270 days of delinquency, if the borrower's first day of delinquency was before October 7, 1998).

Default Date: Except in other specified circumstances, the default date on a FFEL for cohort default rate purposes is the claim paid date. Except in other specified circumstances, the default date on a Direct Loan for cohort default rate purposes is the 361st day of delinquency (or the 271st day of delinquency, if the borrower's first day of delinquency was before October 7, 1998).

Default Management: The office within SFA that calculates and releases school cohort default rates and works with schools and data managers in the cohort default rate challenge, adjustment, and appeal process.

Degree-Granting School: A school that offers an associate, baccalaureate, graduate, or professional degree. A school should refer to its Eligibility and Certification Approval Report if the school is uncertain about its degree-granting status.

Delinquency: A borrower who misses a regularly scheduled payment is considered in delinquency. The more payments the borrower misses, the longer the delinquency.

Denominator: There are two elements when dividing numbers: the numerator and the denominator. The numerator is the number that is divided and is listed first in a mathematical equation; the denominator is the number the numerator is divided by and is listed second in a mathematical equation.

Department: Abbreviation used to refer to the U.S. Department of Education.

DER: Abbreviation used to refer to the date entered repayment.

Direct Loan: Abbreviation used to refer to the William D. Ford Federal Direct Loan Program or to a loan made under that program.

Direct Loan Schools Relations: The office within SFA that provides technical assistance mainly to Direct Loan schools.

Direct Loan Servicer: The data manager responsible for Direct Loans.

Direct Stafford/Ford Loans: Term used to refer to Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Ford Loans.

Disputed Data: Disputed data occurs when a school submitted an incorrect data challenge, the data manager for the loan disagreed with the challenge, the school believed the data manager was incorrect, and the same data are used to calculate the school's official cohort default rate.

Economically Disadvantaged Appeal: As described in 34 CFR 668.194. An appeal alleging that a school should not be subject to sanction because it has a high number of low income students. There are two types of economically disadvantaged appeals: an economically disadvantaged appeal based on low income rate and placement rate and an economically disadvantaged appeal based on low income rate and completion rate.

EFC: Abbreviation used to refer to the Expected Family Contribution.

Eligibility: The ability to participate in one or more of the Title IV programs the Department administers. A school that is sanctioned for high official cohort default rates is subject to a loss of eligibility in certain Title IV programs.

Eligible Program: An educational program at a school that meets the criteria for Title IV program eligibility.

Erroneous Data Appeal: As described in 34 CFR 668.192. An appeal that alleges that because of new data and/or disputed data included in the official cohort default rate calculation, a school's official cohort default rate data is inaccurate.

Evasion: An attempt to avoid cohort default rate sanctions by changing a school's name, location, OPE ID, or other status.

Expected Family Contribution: The amount a student and his or her family is expected to contribute to the student's postsecondary educational expenses.

F

Family Educational Rights and Privacy Act: Along with the Privacy Act of 1974, a law governing the release of private information. These laws apply to all cohort default rate loan data because this data contains personal identification information about borrowers who received loans under the FFEL and Direct Loan programs. State and local laws and regulations may also govern the use of this material.

Federal Family Education Loan Program: Full name of the FFEL Program. The Federal Family Education Loan Program comprises three loan programs: subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans (collectively referred to as Federal Stafford Loans), Federal PLUS Loans, and Federal Consolidation Loans. Only Federal Stafford Loans are directly included in the cohort default rate calculation. Federal Supplemental Loans for Students (Federal SLS loans) were formerly part of the Federal Family Education Loan Program. However, Federal SLS loans have not been made since July 1, 1994. It is possible for a Federal SLS loan to be included in a current cohort default rate calculation under certain circumstances.

Federal Fiscal Year: A federal fiscal year begins on October 1 of the calendar year and ends on September 30 of the next calendar year. A federal fiscal year is always identified by the calendar year when the fiscal year ends. Also referred to as a fiscal year.

Federal Stafford Loans: Term used to refer to subsidized Federal Stafford Loans and unsubsidized Federal Stafford Loans.

FERPA: Abbreviation used to refer to the Family Educational Rights and Privacy Act.

FFEL: Abbreviation used to refer to the Federal Family Education Loan Program. For the purposes of this Guide, FFEL is also used to refer to those FFELs that are included in the cohort default rate calculation.

Fiscal Year: Another name for federal fiscal year.

FY: Abbreviation used to refer to a specific fiscal year, such as FY 2000. The specific year is always the calendar year when the fiscal year ends.

G

GPA: Abbreviation used to refer to the grade point average.

Grace Period: For Federal Stafford Loans and Direct Stafford/Ford Loans, the six-month period that generally begins when a borrower separates (graduates or withdraws) from school or drops below half-time enrollment.

Guarantor/Servicer Code: A code number used to identify the data manager for a loan. Another name for the data manager code.

Guaranty Agency: The data manager responsible for FFELs not held by the Department.

H

HEA: Abbreviation used to refer to the Higher Education Act (HEA) of 1965, as amended.

Higher Education Act of 1965: The original legislation authorizing the creation of the Title IV programs.

I

ICRD: Abbreviation used to refer to the income-contingent repayment date.

IIS: Abbreviation used to refer to Institutional Improvement Specialist.

Improperly Serviced Loan: As described in 34 CFR 668.193(b). If the holder of a loan fails to perform certain activities when servicing the loan, the loan is considered improperly serviced. For this Guide, "improperly serviced" always means "improperly serviced for cohort default rate purposes only."

Inaccurate Data: Information on the loan record detail report that is incorrectly reported, incorrectly included, or incorrectly excluded.

Income-Contingent Repayment Date: The date that the borrower who received a Direct Loan to attend a non-degree-granting proprietary school is considered in default because other specified conditions relating to income-contingent repayment apply. Also referred to as negative amortization date.

Income-Contingent Repayment Plan: A repayment plan for Direct Loans based on the borrower's income.

Incorrect Data Challenge: As described in 34 CFR 668.185(b). After the release of the draft cohort default rates, the Department provides schools with an opportunity to review the draft cohort default rate data and, if necessary, work with the data manager responsible for the loans to correct any errors. The process of correcting data is called an incorrect data challenge. This process was formerly referred to as a draft data challenge.

Institutional Improvement Specialist: An individual agent within Case Management.

L

Last Date of Attendance: The date that a student leaves school entirely (graduates or withdraws). The last date of attendance is the day before the borrower's grace period begins.

LDA: Abbreviation used to refer to the last date of attendance.

Less-Than-Half-Time Date: The date that a student's enrollment status drops to less than half-time. The less-than-half-time date is the day before the borrower's grace period begins.

Liability: Certain costs associated with FFELs and Direct Loans that a school must pay if the school continued to certify and deliver or originate and disburse loans while the school's unsuccessful adjustment and/or appeal was pending.

Loan Record Detail Report: A loan record detail report contains information on the loans that were used to calculate a school's draft or official cohort default rate. The loan record detail report lists a school's FFEL and/or Direct Loan activity, including but not limited to the number of borrowers who entered repayment during a given cohort fiscal year, the number of borrowers who defaulted in the cohort period, and the loan status of those borrowers.

Loan Servicing Appeal: As described in 34 CFR 668.193. An appeal alleging that a school's official cohort default rate includes defaulted FFELs or Direct Loans that are considered improperly serviced for cohort default rate purposes and used in determining cohort default rates.

Loan Servicing Records: Records that detail the servicing activities a loan holder performed when servicing a loan. For FFELs, loan servicing records are the collection and payment history records that are provided to the guaranty agency by the lender and used by the guaranty agency in determining whether to pay a claim on a defaulted loan. For Direct Loans, loan servicing records are the collection and payment history records that are maintained by the Direct Loan Servicer.

Low Income Rate: As described in 34 CFR 668.194(b). The percentage of students with low incomes enrolled at a school. Used when submitting an economically disadvantaged appeal.

LTH: Abbreviation used to refer to the less-than-halftime date.

M

Management's Written Assertion: The materials a school submits to an independent auditor and to Default Management as part of the school's economically disadvantaged appeal. An independent auditor must review the management's written assertion.

Monthly Status Report: A cumulative list of challenge, adjustment, and appeal requests that data managers receive from schools after the release of the draft cohort default rates and the official cohort default rates. Monthly status reports assist Default Management in monitoring the time frames associated with the cohort default rate process. The monthly status report is sent to Default Management within seven calendar days of the end of each month.

N

N/A: Abbreviation used to refer to the term "not applicable."

National Student Loan Data System: The Department's database of federal student loan information. This information is used to calculate a school's cohort default rate.

NegAm: Abbreviation used to refer to the negative amortization date.

Negative Amortization Date: Another name for income-contingent repayment date.

New Data: New data occurs when data reported to NSLDS is newly reported, included, or excluded between the calculation of the draft and official cohort default rates. For the purposes of this Guide, any mention of "new data" refers to "new incorrect data."

New Data Adjustment: As described in 34 CFR 668.191. A new data adjustment is a course of action that provides a school with the opportunity to challenge the accuracy of new data included in the school's official cohort default rate that was not reflected in the draft cohort default rate.

Non-Average Rate: One of two methods of calculating an official cohort default rate. The non-average-rate formula is used for a school with 30 or more borrowers entering repayment during a cohort fiscal year.

Non-Degree-Granting School: A school that does not offer an associate, baccalaureate, graduate, or professional degree. A school should refer to its Eligibility and Certification Approval Report if the school is uncertain about its degree-granting status.

NSLDS: Abbreviation used to refer to the National Student Loan Data System.

Numerator: There are two elements when dividing numbers: the numerator and the denominator. The numerator is the number that is divided and is listed first in a mathematical equation; the denominator is the number the numerator is divided by and is listed second in a mathematical equation.

O

Office of Student Financial Assistance: The office within the Department that is responsible for managing the operational functions supporting the Title IV programs.

Other Specified Conditions: In addition to those borrowers who default, borrowers who meet certain conditions are also considered to be in default for cohort default rate purposes. The first condition involves borrowers who receive a Direct Loan to attend a non-degree-granting proprietary school. Such a borrower is considered in default for the purposes of calculating a cohort default rate if, during the cohort default period in question, the borrower is in repayment for 360 days under the income contingent repayment plan with scheduled payments that are less than 15 dollars per month and less than the interest accruing on the loan.

The second condition occurs when a school owner, agent, contractor, employee, or any other affiliated entity or individual makes a payment before the end of the cohort default period to prevent a borrower's default on a loan that entered repayment during the cohort fiscal year. In such a situation, the borrower is considered in default for cohort default rate purposes.

Overlap: To have one or more calendar days in common. For example, an award year overlaps a 12-month period if any calendar day that is included in the award year is also included in the 12-month period.

P

Participation Rate Index: As described in 34 CFR 668.195(b). The percentage of a school's students who participated in (borrowed under) the FFEL and/or Direct Loan programs multiplied by the school's cohort default rate.

Participation Rate Index Appeal: As described in 34 CFR 668.195. A type of appeal that contends a school should not be subject to sanction because the number of students who obtained loans to attend the school is very low in relation to the number of regular students at the school. A participation rate index appeal is submitted after the release of the official cohort default rates.

Participation Rate Index Challenge: As described in 34 CFR 668.185(c). A type of challenge that contends a school should not be subject to sanction because the number of students who obtained loans to attend the school is very low in relation to the number of regular students at the school. A participation rate index challenge is submitted after the release of the draft cohort default rates.

Placement Rate: As described in 34 CFR 668.194(d). The percentage of students enrolled at a school who became employed in the occupation for which the school trained them. Used by non-degree-granting schools when submitting an economically disadvantaged appeal.

Privacy Act of 1974: Along with the Family Educational Rights and Privacy Act, a law governing the release of private information. These laws apply to all cohort default rate loan data because this data contains personal identification information about borrowers who received loans under the FFEL and Direct Loan programs. State and local laws and regulations may also govern the use of this material.

R

Regular Student: A student who enrolled or was accepted for enrollment at a school for the purpose of obtaining a degree, certificate, or other recognized educational credential offered by that school.

S

Sanction: Penalties the Department imposes on a school with high official cohort default rates. The sanctions associated with high official cohort default rates occur when a school's three most recent official cohort default rates are 25.0 percent or greater or when a school's most recent official cohort default rate is greater than 40.0 percent. These sanctions include a loss of eligibility to participate in certain Title IV programs.

SFA: Abbreviation used to refer to the Office of Student Financial Assistance.

SSN: Abbreviation used to refer to the Social Security Number.

T

Thirty-or-Fewer Borrowers Appeal: As described in 34 CFR 668.197. A school that has a total of 30 or fewer borrowers included in the three most recent cohort fiscal years is not subject to sanction.

12-Month Period: When submitting a participation rate index challenge, economically disadvantaged appeal, or participation rate index appeal, a school must select a 12-month period on which to base the action. The school may base the action on any 12-month period that ended during the six months immediately preceding the start of the cohort fiscal year for which the school is submitting the action.

U

Uncorrected Data Adjustment: As described in 34 CFR 668.190. A request submitted to Default Management to ensure that a school's official cohort default rate calculation reflects changes that a data manager agreed to in its incorrect data challenge response.

Unofficial Rate: An official rate cannot be calculated for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if the school did not have a cohort default rate calculated for either or both of the two previous cohort fiscal years. Such a school will have an unofficial cohort default rate calculated using the non-average rate formula and current cohort fiscal year data. An unofficial cohort default rate does not meet the statutory definition of a cohort default rate. Therefore, it cannot be used to determine sanctions or benefits.

W

William D. Ford Federal Direct Loan Program: Full name of the Direct Loan Program. The William D. Ford Federal Direct Loan Program comprises three loan programs: Federal Direct Subsidized Stafford/Ford Loans and Federal Direct Unsubsidized Stafford/Ford Loans (collectively referred to as Direct Stafford/Ford Loans), Direct Plus Loans, and Direct Consolidation Loans. Only Direct Stafford/Ford Loans are directly included in the cohort default rate calculation.

Index of Key Terms

A 1
BC 2
D 4
E 7
F 8
GHI 9
L 10
MN 12
OP 14
R 16
ST 17
UW 18

A

Adjustment
- types, 2.2-4, Fig. 2.2.3, Chapters 4.3 – 4.4
- eligibility for, Chapters 4.3 – 4.4
- consequences of unsuccessful, 2.2-5
- as a cohort default rate strategy, 3.1-9 – 3.1-12, Fig. 3.1.1
- that claim inaccurate data, 3.1-9, 3.1-14, Fig. 3.1.3

Allegation
- types, 4.11-2
- supporting documentation, 4.11-2 – 4.11-3
- and loan record detail report, 4.11-3 – 4.11-4
- specific, 4.11-4 – 4.11-8
  - inaccurate date entered repayment, 4.11-5, Fig. 4.11.1
  - inaccurate default status, 4.11-6, Fig. 4.11.2
  - multiple loans, 4.11-7, Fig. 4.11.3
  - incorrectly included, 4.11-8, Fig. 4.11.4
  - incorrectly excluded, 4.11-8, Fig. 4.11.5

Appeal
- types, 2.2-4, Fig. 2.2.3, Chapters 4.4 – 4.10
- eligibility for, Chapters 4.4 – 4.10
- consequences of unsuccessful, 2.2-5
- as a cohort default rate strategy, 3.1-9 – 3.1-12, Fig. 3.1.1
- that claim inaccurate data, 3.1-9, 3.1-14, Fig. 3.1.3
- that claim exceptional mitigating circumstances, 3.1-9, 3.1-15, Fig. 3.1.4

Average Rate
- formula, 2.1-8
- calculation, 2.1-8
- example, 2.1-8

Average Rates Appeal
- generally, Chapter 4.9
- defined, 4.9-1 – 4.9-2
- Default Management initiated, 4.9-2
- appeal of Default Management determination, 4.9-3
- address for submitting, 4.9-3, 4.11-1

B

Benefit
  defined, 2.2-2, Fig. 2.2.1

C

Case Management
  and change in status, 2.4-3, 2.4-4
  and the Department, 2.5-1
  duties, 2.5-3
  contacting, 2.5-4, Fig. 2.5.1

Challenge
  types, 2.2-4, Fig. 2.2.3, Chapters 4.1 – 4.2
  eligibility for, Chapters 4.1 – 4.2
  as a cohort default rate strategy, 3.1-9 – 3.1-12, Fig. 3.1.1
  that claim inaccurate data, 3.1-9, 3.1-14, Fig. 3.1.3
  that claim exceptional mitigating circumstances, 3.1-9, 3.1-15, Fig. 3.1.4

Change in Status
  types, 2.4-1
  and cohort default rate, 2.4-2, Fig. 2.4.1
  submitting change request, 2.4-3
  requesting loan record detail report, 2.4-3
  and sanctions, 2.4-3
    avoiding, 2.4-5
  evasion, 2.4-4 (see also Evasion)

Claim Paid Date
  used to determine if loan is in numerator, 2.1-10

Client Account Manager
  and Direct Loan Schools Relations, 2.5-1
  schools need to work with, 3.1-2

Code of Federal Regulations
  and the "Cohort Default Rate Guide," 1.1-1, 1.1-5

Cohort Default Period
  defined, 2.1-1
  time periods, 2.1-6, Fig. 2.1.1

Cohort Default Rate
  defined, 2.1-1
  importance of, 2.2-1
    draft, 2.1-5, 2.2-1
    official, 2.1-5, 2.2-2 - 2.2-3, Fig. 2.2.1 - 2.2.2
  and benefits (see Benefit)
  and sanctions (see Sanction)
  when released, 2.1-3
    draft, 2.1-3
    official, 2.1-3
  who receives, 2.1-3 - 2.1-4
    draft, 2.1-3
    official, 2.1-4
  calculating, 2.1-2 - 2.1-3, 2.1-7 - 2.1-9, Chapter 2.1
    non-average rate, 2.1-7
    average rate, 2.1-8
    unofficial rate, 2.1-9
  loans included, 2.1-2 - 2.1-3
    denominator, 2.1-9 - 2.1-10
    numerator, 2.1-10 - 2.1-11
  special circumstances, 2.1-12 - 2.1-15
    involving schools, 2.1-12, Fig. 2.1.2
    involving repayment, 2.1-13, Fig. 2.1.3
    involving discharge, 2.1-14, Fig. 2.1.4
    involving repurchase, 2.1-15, Fig. 2.1.5
  effects, 2.1-16, Fig. 2.1.6, Chapter 2.2

"Cohort Default Rate Guide"
  defined, 1.1-1
  electronic version available, 1.1-1
  relationship to regulatory and statutory requirements, 1.1-1
  how organized, 1.1-2 - 1.1-3
  differences from previous version, 1.1-3
  using, 1.1-4 - 1.1-5, Fig. 1.1.1
  providing feedback on, 1.1-6 - 1.1-7
  reviewing and updating, 3.1-1, 3.2-1

Cohort Default Rate Notification Letter (see Notification Letter)

Cohort Default Rate Strategies
  school, 3.1-2, 3.1-3, 3.1-6 - 3.1-9, Chapter 3.1
  data manager, 3.2-1 - 3.2-5, Chapter 3.2

Cohort Fiscal Year
  defined, 2.1-1
  time periods, 2.1-6, Fig. 2.1.1

- Commonality of Ownership
  - defined, 2.4-4

- Completion Rate
  - defined, 4.7-6 – 4.7-7
  - calculating, 4.7-6 – 4.7-7
    - formula, 4.7-7
    - example, 4.7-7
    - acceptable rate, 4.7-7
  - preparing before release of cohort default rates, 4.7-8
  - spreadsheet, 4.7-9, Fig. 4.7.6
    - creating, 4.11-24 – 4.11-25, Fig. 4.11.12

- Consolidation
  - and numerator of cohort default rate calculation, 2.1-11

D

- Data Manager
  - defined, 1.1-3
  - identifying, 2.3-11, 2.3-16, 2.6-10 – 2.6-11, Fig. 2.6.4
  - addresses of, 2.6-11 – 2.6-19, Fig. 2.6.5
  - role in incorrect data challenge, 4.1-3, 4.1-6 – 4.1-12
    - time frame for responding, 4.1-8
    - denying, 4.1-6 – 4.1-9
    - data manager response materials to school, 4.1-10 – 4.1-12
    - spreadsheet, 4.1-10, Fig. 4.1.4
      - creating, 4.11-12 – 4.11-13, Fig. 4.11.6
    - letter, 4.1-10 – 4.1-11, Fig. 4.1.5
    - address for submitting, 4.1-12, 4.11-1
  - role in participation rate index challenge, 4.2-6
  - role in uncorrected data adjustment, 4.3-2 – 4.3-3
  - role in new data adjustment, 4.4-3 – 4.4-4, 4.4-8 – 4.4-13
    - time frame for responding, 4.4-9
    - denying, 4.4-8 – 4.4-10
    - data manager response materials to school, 4.4-11 – 4.4-13
    - spreadsheet, 4.4-11, Fig. 4.4.4
      - creating, 4.11-12 – 4.11-13, Fig. 4.11.6
    - letter, 4.4-11 – 4.4-13, Fig. 4.4.5
    - address for submitting, 4.4-12, 4.11-1
  - role in erroneous data appeal, 4.5-3 – 4.5-4, 4.5-8 – 4.5-14
    - time frame for responding, 4.5-8
    - denying, 4.5-8 – 4.5-10
    - data manager response materials to school, 4.5-11 – 4.5-13
    - spreadsheet, 4.5-11, Fig. 4.5.4
      - creating, 4.11-12 – 4.11-13, Fig. 4.11.6
    - letter, 4.5-11 – 4.5-13, Fig. 4.5.5
    - address for submitting, 4.5-12, 4.11-1

- Data Manager (cont.)
  - role in loan servicing appeal, 4.6-4, 4.6-8 – 4.6-16
    - time frame for responding, 4.6-8
    - denying, 4.6-8 – 4.6-9
    - providing loan servicing records
      - (see Loan Servicing Records)
    - data manager response materials to school, 4.6-12 – 4.6-15
    - spreadsheet, 4.6-12, Fig. 4.6.4
      - creating, 4.11-18 – 4.11-19, Fig. 4.11.9
    - loan servicing records, 4.6-13
    - letter, 4.6-13 – 4.6-15, Fig. 4.6.5
    - address for submitting, 4.6-16, 4.11-1
  - role in economically disadvantaged appeal, 4.7-18
  - role in participation rate index appeal, 4.8-6

- Data Manager Code (see also Guarantor/Servicer Code)

- Date Entered Repayment
  - for Federal Stafford Loans, 2.1-9 – 2.1-10
  - for Direct Stafford Loans, 2.1-9 – 2.1-10
  - on loan record detail report, 2.3-10 – 2.3-11, Fig. 2.3.8

- Default
  - defined, 2.1.10 – 2.1-11
  - on loan record detail report, 2.3-10 – 2.3-11, Fig. 2.3.8

- Default Management
  - and feedback to the "Cohort Default Rate Guide," 1.1-5
  - and requesting loan record detail report, 2.3-4
  - assistance with change in status, 2.4-3 – 2.4-5
  - role in determining evasion, 2.4-4 – 2.4-5
  - and the Department, 2.5-1
  - duties, 2.5-2
  - contacting, 2.5-3
  - and monthly status reports, 3.2-5 – 3.2-6
  - role in incorrect data challenge, 4.1-3, 4.1-13
  - role in participation rate index challenge, 4.2-6, 4.2-10
  - role in uncorrected data adjustment, 4.3-2, 4.3-6 – 4.3-7
  - role in new data adjustment, 4.4-3 – 4.4-4, 4.4-16
  - role in erroneous data appeal, 4.5-3 – 4.5-4, 4.5-18
  - role in loan servicing appeal, 4.6-3 – 4.6-4, 4.6-20 – 4.6-21
  - role in economically disadvantaged appeal, 4.7-16
  - role in participation rate index appeal, 4.8-2, 4.8-6, 4.8-10
  - role in average rates appeal, 4.9-2
  - role in thirty-or-fewer borrowers appeal, 4.10-1

- Degree-Granting School
  - and economically disadvantaged appeal, 4.7-1

Denominator
    generally, 2.1-6
    and cohort default rate calculation, 2.1-9 – 2.1-10
    special circumstances, 2.1-12 – 2.1-15
        involving schools, 2.1-12, Fig. 2.1.2
        involving repayment, 2.1-13, Fig. 2.1.3
        involving discharge, 2.1-14, Fig. 2.1.4
        involving repurchase, 2.1-15, Fig. 2.1.5
    and participation rate index, 4.2-4, 4.8-4
    and low income rate, 4.7-4
    and placement rate, 4.7-4 – 4.7-6
    and completion rate, 4.7-6 – 4.7-7

Department
    mission, 2.5-1
    and Default Management, 2.5-1
    and Case Management, 2.5-1
    and Direct Loan Schools Relations, 2.5-1
    SFA channels, 2.5-1
    contacting, 2.5-6 – 2.5-7
    offices, Chapter 2.5

Direct Loan Program
    defined for cohort default rate purposes, 2.1-2

Direct Loan Schools Relations
    and change in status, 2.4-3, 2.4-4
    and the Department of Education, 2.5-1
    duties, 2.5-4 – 2.5-5
    contacting, 2.5-5, Fig. 2.5.2

Direct Loan Servicer
    as data manager, 1.1-3

Disputed Data
    defined, 4.5-2

Draft Cohort Default Rate (see Cohort Default Rate)

E

- Economically Disadvantaged Appeal
  - defined, 4.7-1
  - which schools should submit, 4.7-1
  - benefits of submitting, 4.7-1
  - data manager role (see Data Manager)
  - Default Management role (see Default Management)
  - calculating low income rate (see Low Income Rate)
  - calculating placement rate (see Placement Rate)
  - calculating completion rate (see Completion Rate)
  - submitting, 4.7-8 – 4.7-18
  - time frame for submitting, 4.7-1, 4.7-8
  - preparing before release of cohort default rates, 4.7-8
  - management's written assertion, 4.7-8 – 4.7-10
    - spreadsheets, 4.7-8 – 4.7-10, Fig. 4.7.4 – 4.7.6
      - creating, 4.11-21 – 4.11-25, Fig. 4.11.10 – 4.11.12
    - letter, 4.7-10 – 4.7-11, Fig. 4.7.7
  - address for submitting, 4.7-12, 4.11-1
  - independent auditor (see Independent Auditor)
  - school submission materials to independent auditor, 4.7-12 – 4.7-14
    - spreadsheets, 4.7-12 – 4.7-13
    - letter, 4.7-12 – 4.7-14, Fig. 4.7.8
  - what does school do with independent auditor's opinion, 4.7-16
  - submission to Default Management, 4.7-16 – 4.7-17
  - time frame for submission to Default Management, 4.7-16
  - school submission materials to Default Management, 4.7-16 – 4.7-17
    - independent auditor's opinion, 4.6-16
    - letter, 4.7-16 – 4.7-17, Fig. 4.7.10
  - address for submitting, 4.7-12, 4.11-1
  - what happens after submitting, 4.7-16, 4.7-18

- Eligibility (see Title IV Eligibility)

- Erroneous Data Appeal
  - defined, 4.5-1
  - which schools should submit, 4.5-2
  - benefits of submitting, 4.5-3
  - data manager role (see Data Manager)
  - Default Management role (see Default Management)
  - submitting, 4.5-4 – 4.5-18
  - time frame for submitting, 4.5-1, 4.5-4
  - allegations, 4.5-4, 4.11-2
  - submission materials, 4.5-5 – 4.5-7
    - spreadsheet, 4.5-5, Fig. 4.5.2
      - creating, 4.11-12 – 4.11-13, Fig. 4.11.6
    - loan record detail report, 4.5-5, 4.11-3 – 4.11-4
    - supporting documentation, 4.5-6, 4.11-2 – 4.11-3
    - letter, 4.5-6 – 4.5-7, Fig. 4.5.3
  - data manager response (see Data Manager)
  - what does school do with data manager response, 4.5-14 – 4.5-18
  - submission to Default Management, 4.5-14 – 4.5-15
  - time frame for submission to Default Management, 4.5-14
  - school submission materials to Default Management, 4.5-15 – 4.5-18
    - spreadsheet, 4.5-15, Fig. 4.5.6
      - creating, 4.11-12 – 4.11-13, Fig. 4.11.6
    - supporting documentation, 4.5-16
    - data manager responses, 4.5-16
    - letter, 4.5-16 – 4.5-17, Fig. 4.5.7
  - address for submitting, 4.5-18, 4.11-1
  - what happens after submitting, 4.5-18
  - provisional certification and (see Provisional Certification)

- Evasion
  - defined, 2.4-4
  - Default Management determination, 2.4-5

- Exceptional Mitigating Circumstance
  - strategies for schools, 3.1-9, 3.1-15, Fig. 3.1.4

F

- Family Educational Rights and Privacy Act (FERPA)
  - and loan record detail report data, 2.3-4, 3.1-9
  - and repayment information, 3.3-7

- Federal Family Education Loan Program (see FFEL Program)

- Federal Fiscal Year
  - defined, 2.1-1

Federal Pell Grant Program
  loss of eligibility to participate in, 2.2-3

Federal Perkins Loan Program
  cohort default rates for, 1.1-1

FFEL Program
  defined for cohort default rate purposes, 2.1-2

Fiscal Year (see Federal Fiscal Year)

G

Guarantor/Servicer Code
  on loan record detail report, 2.3-10 – 2.3-11, 2.3-16, Fig. 2.3.8
  used to identify data manager, 2.6-10 – 2.6-11, Fig. 2.6.4
  used to locate data manager address, 2.6-11 – 2.6-19, Fig. 2.6.5

Guaranty Agency
  as data manager, 1.1-3

H

Higher Education Act
  and the "Cohort Default Rate Guide," 1.1-1

Historically Black Colleges and Universities
  and avoiding sanctions, 2.2.5

I

Improperly Serviced Loan
  cohort default rate purposes only, 4.6-1 – 4.6-2
  for FFELs, 4.6-1 – 4.6-2
  for Direct Loans, 4.6-2

Inaccurate Data
  defined, 4.1-1, 4.11-2
  how to determine, 3.1-13
  why contest, 3.1-12
  how to contest, 3.1-14, Fig. 3.1.3

Income-Contingent Repayment Plan
  and other specified conditions, 2.1-1

- Incorrect Data Challenge
  - generally, Chapter 4.1
  - defined, 4.1-1
  - which schools should submit, 4.1-1
  - benefits of, 4.1-2
  - data manager role (see Data Manager)
  - Default Management role (see Default Management)
  - submitting, 4.1-4 – 4.1-13
  - time frame for submitting, 4.1-1, 4.1-4
  - allegations, 4.1-4, 4.11-2
  - school submission materials to data manager, 4.1-5 – 4.1-6
    - spreadsheet, 4.1-5, Fig. 4.1.2
      - creating, 4.11-12 – 4.11-13, Fig. 4.11.6
    - loan record detail report, 4.1-5, 4.11-3 – 4.11-4
    - supporting documentation, 4.1-5, 4.11-2 – 4.11-3
    - letter, 4.1-6 – 4.1-7, Fig. 4.1.3
  - data manager response (see Data Manager)
  - what does school do with data manager response, 4.1-13

- Independent Auditor
  - and economically disadvantaged appeal, 4.7-12 – 4.7-15
  - standards of review, 4.7-14
  - letter to school, 4.7-14 – 4.7-15, Fig. 4.7.9

- Institutional Improvement Specialist
  - and Case Management, 2.5-1

L

- Last Date of Attendance (see also Less-Than-Halftime Date)
  - used to determine date entered repayment, 2.1-9 – 2.1-10

- Less-Than-Halftime Date (see also Last Date of Attendance)
  - used to determine date entered repayment, 2.1-9 – 2.1-10

- Liability
  - associated with unsuccessful adjustment or appeal, 2.2-5

Loan Record Detail Report
    defined, 2.3-1
    Department provides, 2.1-4
    why review, 2.3-1 – 2.3-2
    which schools receive, 2.3-2 – 2.3-3, Fig. 2.3.1
    requesting, 2.3-3 – 2.3-4
        requesting due to change in status, 2.4-3
    reading, 2.3-5 – 2.3-16, Fig. 2.3.2 – 2.3.15
    electronic, 2.3-3 – 2.3-4
        requesting electronic, 2.3-3, 2.6-1 – 2.6-4
        reading electronic, 2.3-4, 2.6-4 – 2.6-9, Fig. 2.6.1 – 2.6.3
    contesting (see Inaccurate Data)
    pages to submit with allegations (see Allegations)

Loan Servicing Appeal
    generally, Chapter 4.6
    defined, 4.6-1
    improperly serviced loans (see Improperly Serviced Loans)
    which schools should submit, 4.6-3
    benefits of submitting, 4.6-3
    data manager role (see Data Manager)
    Default Management role (see Default Management)
    submitting to data manager, 4.6-5 – 4.6-7
    time frame for submitting, 4.6-1, 4.6-5
    request for records, 4.6-5 – 4.6-7
    school submission materials, 4.4-5 – 4.4-7
        loan record detail report, 4.6-6
        letter, 4.6-5 – 4.6-7, Fig. 4.6.2
    data manager response (see Data Manager)
    what does school do with data manager response, 4.6-16 – 4.6-20
    submission to Default Management, 4.6-16 – 4.6-17
    time frame for submission to Default Management, 4.6-17
    school submission materials to Default Management, 4.6-18 – 4.6-20
        spreadsheet, 4.6-18, Fig. 4.6.6
            creating, 4.11-18 – 4.11-19, Fig. 4.11.9
        copies of loan servicing records, 4.6-18 – 4.6-20
        letter, 4.6-18 – 4.6-20, Fig. 4.6.7
    address for submitting, 4.6-20, 4.11-1
    what happens after submitting, 4.6-20 – 4.6-21

- Loan Servicing Record
  - defined, 4.6-5
  - providing, 4.6-8 – 4.6-11
  - selecting records, 4.6-10
  - representative sample, 4.6-10
  - charging a fee, 4.6-10, Fig. 4.6.3

- Loan Type
  - on loan record detail report, 2.3-8, Fig. 2.3.5 – 2.3.6

- Low Income Rate
  - defined, 4.7-2 – 4.7-4
  - 12-month period, 4.7-2 – 4.7-3
    - selecting, 4.7-2, Fig. 4.7.2
    - acceptable, 4.7-2, Fig. 4.7.3
    - consequences of unacceptable, 4.7-3
  - calculating, 4.7-2 – 4.7-4
    - formula, 4.7-3 – 4.7-4
    - example, 4.7-4
    - acceptable rate, 4.7-4
  - preparing before release of cohort default rates, 4.7-8
  - spreadsheet 4.7-8 – 4.7-9, Fig. 4.7.4
    - creating, 4.11-20 – 4.11-21, Fig. 4.11.10

M

- Management's Written Assertion
  - (see Economically Disadvantaged Appeal)

- Monthly Status Report
  - defined, 3.2-5
  - creating, 3.3-10 – 3.3-11, Fig. 3.3.3
  - address for submitting, 3.3-12
  - electronic submission, 3.3-12

N

- National Student Loan Data System (see NSLDS)

- Navajo Community College
  - and avoiding sanctions, 2.2.5

- Negative Amortization
  - on loan record detail report, 2.3-11

- New Data
  - defined, 4.4-1
  - on loan record detail report, 2.3-2
  - and erroneous data appeal, 4.5-1

New Data Adjustment
- generally, Chapter 4.4
- defined, 4.4-1
- which schools should submit, 4.4-2
- benefits of submitting, 4.4-3
- data manager role (see Data Manager)
- Default Management role (see Default Management)
- submitting, 4.4-4 – 4.4-18
- time frame for submitting, 4.4-1, 4.4-4
- allegations, 4.4-4, 4.11-2
- school submission materials to data manager, 4.4-5 – 4.4-8
  - spreadsheet, 4.4-5 – 4.4-6, Fig. 4.4.2
    - creating, 4.11-12 – 4.11-13, Fig. 4.11.6
  - loan record detail report, 4.4-6, 4.11-3 – 4.11-4
  - supporting documentation, 4.4-6, 4.11-2 – 4.11-3
  - letter, 4.4-6 – 4.4-8, Fig. 4.4.3
- data manager response (see Data Manager)
- what does school do with data manager response, 4.4-14 – 4.4-17
- submission to Default Management, 4.4-14
- time frame for submission to Default Management, 4.4-14
- school submission materials to Default Management, 4.4-15 – 4.4-17
  - spreadsheet, 4.4-15, Fig. 4.4.6
    - creating, 4.11-16 – 4.11-17, Fig. 4.11.8
  - data manager response, 4.4-15
  - letter, 4.4-15 – 4.4-17, Fig. 4.4.7
- address for submitting, 4.4-16, 4.11-1
- what happens after submitting, 4.4-16, 4.4-18

Non-Average Rate
- formula, 2.1-7
- calculation, 2.1-7
- example, 2.1-7

Non-Degree-Granting School
- and economically disadvantaged appeal, 4.7-1

Notification Letter
- official, 3.1-8

NSLDS
    data used in loan record detail report, 2.3-1
    updated regularly, 2.2-1, 2.3-2
    reviewing, 3.1-3
    submitting changes to, 3.1-3
    contacting, 2.5-7
    use of repayment information to ensure accuracy of, 3.1-4

Numerator
    generally, 2.1-6
    and cohort default rate calculation, 2.1-10 – 2.1-15
    special circumstances, 2.1-12 – 2.1-15
        involving schools, 2.1-12, Fig. 2.1.2
        involving repayment, 2.1-13, Fig. 2.1.3
        involving discharge, 2.1-14, Fig. 2.1.4
        involving repurchase, 2.1-15, Fig. 2.1.5
    and participation rate index, 4.2-4, 4.8-4
    and low income rate, 4.7-4
    and placement rate, 4.7-5 – 4.7-6
    and completion rate, 4.7-7

O

Office of Student Financial Assistance
    relationship to the Department, 2.5-1
    website, 2.5-6
    call center, 2.5-6

Official Cohort Default Rate (see Cohort Default Rate)

Other Specified Conditions
    defined, 2.1-1 – 2.1-2
    on loan record detail report, 2.3-11

P

Participation Rate Index
    12-month period, 4.2-2 – 4.2-3, 4.8-2 – 4.8-3
    selecting, 4.2-3 – 4.2-4, 4.8-2 – 4.8-3, Fig. 4.2.3, Fig. 4.8.3
        acceptable, 4.2-3 – 4.2-4, 4.8-3 – 4.8-4, Fig. 4.2.4, Fig. 4.8.4
        consequences of unacceptable, 4.2-3, 4.8-3
    calculating, 4.2-2 – 4.2-6, 4.8-2 – 4.8-6
        formula, 4.2-4, 4.8-4
        example, 4.2-5 – 4.2-6, 4.8-5 – 4.8-6
    acceptable rate, 4.2-5, 4.8-5
    preparing before release of cohort default rates, 4.2-6, 4.8-6

Participation Rate Index Appeal
    generally, Chapter 4.8
    defined, 4.8-1
    which schools should submit, 4.8-2
    benefits of submitting, 4.8-2
    data manager role (see Data Manager)
    Default Management role (see Default Management)
    calculating a participation rate index (see Participation Rate Index)
    submitting a participation rate index appeal, 4.8-7 - 4.8-9
    time frame for submitting, 4.8-1, 4.8-7
    preparing before release of cohort default rates, 4.8-6
    school submission materials to Default Management, 4.8-7 - 4.8-9
        spreadsheet, 4.8-7, Fig. 4.8.5
            creating, 4.11-14 – 4.11-15, Fig. 4.11.7
        letter, 4.8-8 – 4.8-9, Fig. 4.8.6
    address for submitting, 4.8-8, 4.11-1
    what happens after submission, 4.8-10

Participation Rate Index Challenge
    generally, Chapter 4.2
    defined, 4.2-1
    which schools should submit, 4.2-2
    benefits of submitting, 4.2-2
    data manager role (see Data Manager)
    Default Management role (see Default Management)
    calculating a participation rate index (see Participation Rate Index)
    submitting a participation rate index challenge, 4.2-7 – 4.2-9
    time frame for submitting, 4.2-1, 4.2-7
    preparing before release of cohort default rates, 4.2-6
    school submission materials to Default Management, 4.2-7 – 4.2-9
        spreadsheet, 4.2.7, Fig. 4.2.5
            creating, 4.11-14 – 4.11-15, Fig. 4.11.7
        letter, 4.2-8 – 4.2-9, Fig. 4.2.6
    address for submitting, 4.2-8, 4.11-1
    what happens after submission, 4.2-10

Placement Rate
defined, 4.7-4 – 4.7-6
calculating, 4.7-4 – 4.7-6
formula, 4.7-6
example, 4.7-6
acceptable rate, 4.7-6
preparing before release of cohort default rates, 4.7-8
spreadsheet 4.7-8 – 4.7-9, Fig. 4.7.5
creating, 4.11-22 – 4.11-23, Fig. 4.11.11

Privacy Act of 1974
and loan record detail report data, 2.3-4, 3.1-9
and repayment information, 3.3-7

Provisional Certification
defined, 4.5-19
school subject to can submit erroneous data appeal, 4.5-19 – 4.5-21
when can a school submit, 4.5-20
time frame for submitting, 4.5-20

R

Rehabilitation
and numerator of cohort default rate calculation, 2.1-11

Repayment (see Date Entered Repayment)

Repayment Information
defined, 3.1-4
benefits of reviewing, 3.1-4
types, 3.1-5, 3.3-1 – 3.3-2
summary, 3.1-5, 3.3-1
detailed, 3.1-5, 3.3-2
obtaining, 3.3-2 – 3.3-7
summary, 3.3-2 – 3.3-3
detailed, 3.3-2 – 3.3-7
reading, 3.3-7, 2.6-4 – 2.6-9, Fig. 2.6.1 – 2.6.3

Representative Sample (see Loan Servicing Records)

S

Sanction
  defined, 2.2-3, Fig. 2.2.2
  thresholds, 2.2-3, Fig. 2.2.2
  avoiding, 2.2-4 – 2.2.5
    Historically Black Colleges and Universities, 2.2-5
    Tribally Controlled Community College, 2.2-5
    Navajo Community College, 2.2-5
  effective date of, 2.2-6, Fig. 2.2.4

Schools Channel
  and the Department, 2.5-1

Special Institution
  and avoiding sanctions, 2.2-5
  and strategy, 3.1-3

Status, Change in (see Change in Status)

Strategies (see Cohort Default Rate Strategies)

Student Loan Rehabilitation (see Rehabilitation)

Supporting Documentation
  specific, 4.11-2 – 4.11-3, 4.11-4 – 4.11-8
    inaccurate date entered repayment, 4.11-5, Fig. 4.11.1
    inaccurate default status, 4.11-6, Fig. 4.11.2
    multiple loans, 4.11-7, Fig. 4.11.3
    incorrectly included, 4.11-8, Fig. 4.11.4
    incorrectly excluded, 4.11-8, Fig. 4.11.5

T

Thirty-or-Fewer Borrowers Appeal
  generally, Chapter 4.10
  defined, 4.10-1
  Default Management initiated, 4.10-1
  appeal of Default Management determination, 4.10-2
  address for submitting, 4.10-2, 4.11-1

Title IV Eligibility
  loss of, 2.2-5
    effective date of, 2.2-6, Fig. 2.2.4
  regaining, 2.2-7

- Tool
  - general information, Chapter 2.6
  - strategy, Chapter 3.3
  - challenge, adjustment, and appeal, Chapter 4.11
    - general spreadsheet instructions, 4.11-9 – 4.4-11

- Tribally Controlled Community College
  - and avoiding sanctions, 2.2.5

U

- Uncorrected Data Adjustment
  - generally, Chapter 4.3
  - defined, 4.3-1
  - which schools should submit, 4.3-2
  - benefits of submitting, 4.3-2
  - data manager role (see Data Manager)
  - Default Management role (see Default Management)
  - submitting an uncorrected data adjustment, 4.3-3 – 4.3-6
  - time frame for submitting, 4.3-1, 4.3-3
  - school submission materials to Default Management, 4.3-4 – 4.3-6
    - spreadsheet, 4.3-4, Fig. 4.3.2
      - creating, 4.11-16 – 4.11-17, Fig. 4.11.8
    - data manager response to incorrect data challenge, 4.3-4
    - letter, 4.3-4 – 4.3-6, Fig. 4.3.3
  - address for submitting, 4.3-6, 4.11-1
  - what happens after submission, 4.3-6 – 4.3-7

- Unofficial Rate
  - defined, 2.1-9

- U.S. Department of Education (see Department)

W

- William D. Ford Federal Direct Loan Program (see Direct Loan Program)

Appendix A

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
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Part VII

Department of Education

34 CFR Parts 668, 682, 685, and 690
Student Assistance General Provisions, Federal Family Education Loan Program, William D. Ford Federal Direct Loan Program, and Federal Pell Grant Program; Final Rule

DEPARTMENT OF EDUCATION

34 CFR Parts 668, 682, 685, and 690

RIN 1845–AA17

Student Assistance General Provisions, Federal Family Education Loan Program, William D. Ford Federal Direct Loan Program, and Federal Pell Grant Program

AGENCY: Office of Postsecondary Education, Department of Education.

ACTION: Final regulations.

SUMMARY: The Secretary amends the Student Assistance General Provisions, Federal Family Education Loan (FFEL) Program, William D. Ford Federal Direct Loan (Direct Loan) Program, and Federal Pell Grant Program regulations. In these final regulations, the requirements for the loan default reduction and prevention measures are moved to a new subpart and revised for clarity and consistency. The Secretary also makes various substantive changes to these requirements.

DATES: These regulations are effective July 1, 2001.

FOR FURTHER INFORMATION CONTACT: Kenneth Smith, U.S. Department of Education, 400 Maryland Avenue, SW., ROB–3, room 3045, Washington, DC 20202–5447. Telephone: (202) 708–8242. If you use a telecommunications device for the deaf (TDD), you may call the Federal Information Relay Service (FIRS) at 1–800–877–8339.

Individuals with disabilities may obtain this document in an alternative format (e.g., Braille, large print, audiotape, or computer diskette) on request to the contact person listed in the preceding paragraph.

SUPPLEMENTARY INFORMATION: On August 2, 2000, we published a notice of proposed rulemaking (NPRM) for the Student Assistance General Provisions, FFEL Program, Direct Loan Program, and Federal Pell Grant Program in the **Federal Register** (65 FR 47590). In the preamble to the NPRM, we discussed on pages 47591 through 47601 the major changes proposed in that document. That discussion will not be repeated here. To fully understand the changes, we strongly encourage a review of the preamble of the NPRM. The following list summarizes those major changes:

- Moving the regulations governing the calculation of cohort default rates and challenges to those rates that were in previous § 668.17 to a new subpart M of part 668, revising the regulations for clarity and consistency, and removing Appendix D to part 668.
- In § 668.184, providing detailed regulations for determining an institution's cohort default rate after certain types of institutional restructuring.
- In §§ 668.185(c) and 668.195, amending certain regulations for a participation rate index challenge or appeal.
- In § 668.187(a)(1), imposing a loss of participation from the FFEL and Direct Loan programs against an institution having a cohort default rate greater than 40 percent, without requiring the use of a proceeding under subpart G of part 668.
- In § 668.187(a)(2), imposing a loss of participation in the FFEL Program against an institution with three consecutive cohort default rates of 25 percent or greater, even if Direct Loans are included in those cohort default rates, without the use of a proceeding under subpart G of part 668.
- In § 668.188, providing for the application of an institution's loss of eligibility to a related or successor institution when certain criteria are met, to prevent an institution from evading the consequences of cohort default rates.
- In § 668.192, allowing an institution that is provisionally certified under § 668.16(m) to submit an erroneous data appeal.
- In § 668.193, allowing all institutions to appeal their most recent cohort default rates on the basis of improper loan servicing or collection.
- In § 668.194, restoring certain eligibility criteria, inadvertently omitted in previous regulations, and revising submission requirements for an economically disadvantaged appeal.
- In § 668.196, providing for the submission of an average rates appeal by an institution that is subject to loss of participation based on a cohort default rate greater than 40 percent.
- In § 668.197, providing for the submission of a thirty-or-fewer borrowers appeal by an institution that is subject to loss of participation based on a cohort default rate greater than 40 percent.
- In § 668.198, exempting a special institution that is in compliance with this section from a loss of eligibility based on a cohort default rate greater than 40 percent.

These final regulations contain several significant changes from the NPRM. We fully explain these changes in the Analysis of Comments and Changes elsewhere in this preamble.

Effect of Regulations on Rights or Obligations

These final regulations will be a new subpart M of part 668 of the Department's regulations. This new subpart is a reorganization of provisions governing the cohort default rate calculation and challenge process, which are currently in 34 CFR 668.17. As discussed elsewhere in this preamble, a few of these provisions have also been revised. Generally, these changes do not affect procedural or substantive rights of any party. However, there are a few instances in which those rights have been modified. To the extent that an institution has or had a right or obligation under § 668.17 before the effective date of these regulations, the institution's exercise or failure to exercise that right or meet that obligation is binding after the effective date of these regulations. These final regulations govern all rights and obligations that may apply to an institution or other party after their effective date.

Analysis of Comments and Changes

The regulations in this document were developed through the use of negotiated rulemaking. Section 492 of the Higher Education Act of 1965, as amended (HEA) requires that, before publishing any proposed regulations to implement programs under Title IV of the HEA, the Secretary obtain public involvement in the development of the proposed regulations. After obtaining advice and recommendations, the Secretary must conduct a negotiated rulemaking process to develop the proposed regulations.

These regulations were published in proposed form on August 2, 2000, following the completion of the negotiated rulemaking process. The Secretary invited comments on the proposed regulations by September 18, 2000, and 17 comments were received. An analysis of the comments and of the changes in the regulations since publication of the NPRM follows.

We discuss substantive issues under the sections of the regulations to which they pertain. Generally, we do not address technical and other minor changes and suggested changes the law does not authorize the Secretary to make.

General

Comments: In general, the commenters supported the proposed regulations and commended us for our efforts to make the requirements for cohort default rates clearer and more consistent. One commenter specifically supported the removal of the previous Appendix D to part 668, stating that it is important to give institutions the flexibility they need to manage cohort default rates.

Discussion: We appreciate the commenters' support for the proposed regulations and the work of the members of the negotiated rulemaking committee that resulted in the proposed regulations.

Changes: None.

Provisional Certification (§ 668.16(m)(2)(i))

Comments: None.

Discussion: As we stated in the preamble to the NPRM (65 FR 47599), during negotiated rulemaking we agreed to change the regulations to allow institutions to submit erroneous data appeals to contest provisional certification under § 668.16(m). We have subsequently reviewed the processes for implementing this new appeal and have determined that there is no need to provisionally certify every institution that has one cohort default rate that falls between 25 percent and 40 percent. In some cases, it may be just as effective to apply other current safeguards to address this issue at the institution and to protect the Federal Government's interest. Improved reporting practices, a holistic case management approach, the availability of technical assistance, and other current safeguards may be adequate to address, in some cases, issues associated with an excessive cohort default rate.

Changes: We have revised § 668.16(m)(2)(i) to provide for the Secretary's discretion in provisionally certifying an institution under that paragraph.

Submission Deadlines (§ 668.182(c))

Comments: Three commenters agreed with our use of a consistent definition for "days" throughout these regulations, instead of using "calendar days" as a measure for some requirements and "working days" as a measure for other requirements. One commenter agreed with our proposal to define "days" as "calendar days" because "calendar days" is easier to understand, while the concept of a "working day" may lend itself to different interpretations and is more difficult to monitor.

However, one commenter questioned whether the change from calendar days to working days would allow institutions less time to comply with the regulations. Another commenter recommended that the regulations define "days" as "working days" because it would allow institutions more time to submit requests and appeals during the cohort default rate process. This commenter stated that requiring an institution to submit a completed appeal within 30 calendar days may place an undue burden on institutions that are also trying to perform the other administrative functions required for participation in the Title IV, HEA programs.

Discussion: In general, these regulations allow institutions the same amount of time, or more, to submit challenges, requests for adjustments, or appeals, when compared to previous regulations. The only exception is if an institution has to pay a fee to a data manager during a loan servicing appeal, under § 668.193(c)(5). Previously, an institution had 15 working days to pay this fee: under the new regulations, an institution has 15 calendar days to pay this fee.

We do not agree that the term "days" should mean "working days" in subpart M of part 668. We also do not agree that it is unreasonable to require an institution to submit a completed appeal within 30 calendar days. In fact, it is our experience that almost every institution meets the deadline.

Changes: None.

Entering Repayment on Federal Supplemental Loans for Students (SLS) Program Loans (§ 668.182(f)(2))

Comments: One commenter stated that there were inaccuracies in proposed § 668.182(f)(2) in the definition of the date that a Federal SLS loan enters repayment for the purposes of calculating a cohort default rate.

Proposed § 668.182(f)(2)(i) stated that a Federal SLS loan is considered to enter repayment at the same time as the borrower's Federal Stafford loan enters repayment, if the borrower received a Federal Stafford loan for the same loan period. The commenter noted that 34 CFR 682.200 and 682.209(a)(2)(iii) do not require that the borrower receive the Federal SLS and Federal Stafford loans for the same loan period. Instead, under those sections, the Federal SLS and Federal Stafford loans must be obtained during the same period of continuous enrollment, which may include one or more loan periods, for the Federal SLS loan to enter repayment at the same time as the Federal Stafford loan.

In addition, under proposed § 668.182(f)(2)(ii), for all other purposes, a Federal SLS loan would be considered to enter repayment on the day after the student ceased to be enrolled at the institution on at least a half-time basis in an educational program leading to a degree, certificate, or other recognized educational credential. The commenter stated that loans do not enter repayment because a student ceases to be enrolled at least half-time at a particular institution: they enter repayment because the student ceases to be enrolled at least half-time. A student might continue his or her studies at another institution, and the loans would not enter repayment until the student ceased to be enrolled at least half-time at that second institution.

Discussion: We agree with the commenter.

Changes: We have revised § 668.182(f)(2) to correct the errors the commenter described.

Entering Repayment on Consolidation Loans (§ 668.183(b))

Comments: None.

Discussion: After further review, we have concluded that the language in proposed §§ 668.182(f)(3)(ii) and 668.183(b)(2), which describes the inclusion of loans made under the Federal Consolidation Loan Program and the Federal Direct Consolidation Loan Program in the calculation of cohort default rates, is unnecessarily complex.

Changes: We have removed proposed §§ 668.182(f)(3)(ii) and 668.183(b)(2) and revised § 668.183(b)(1) to clarify the inclusion of consolidation loans in the calculation of a cohort default rate.

Calculation of Cohort Default Rates for Proprietary, Non-degree-granting Institutions (§ 668.183(c)(1)(iii))

Comments: Under § 668.183(c)(1)(iii), certain loans that are repaid under the Direct Loan Program's income contingent repayment plan are considered to be in default for the purpose of calculating a non-degree-granting proprietary institution's cohort default rate. As noted in the preamble to the NPRM (65 FR 47591), this provision does not make any change to current regulations and was presented to the negotiating committee only as part of the overall restructuring of the regulations.

One commenter agreed that these regulations are appropriate and stated that degree-granting institutions with historically low default rates should not be subject to this regulatory provision. Seven commenters argued that these regulations are inappropriate. They claimed that these regulations unfairly target non-degree-granting proprietary institutions. Several commenters argued that if these requirements are appropriate for non-degree-granting proprietary institutions, then they should be appropriate for, and applied to, all types of institutions.

The commenters believed that there is not a significant risk that an institution could have a low cohort default rate even though a large proportion of its former students are making only minimal or no payments under the income contingent repayment plan. They did not believe that this risk is an adequate reason for the special

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treatment of loans being repaid through income contingent repayment included in the proposed regulations. They noted that, since this requirement applies only to borrowers who are repaying Direct Loans, it may make some institutions reluctant to participate in the Direct Loan Program or to counsel borrowers to apply for Direct Consolidation Loans.

The commenters also argued that this provision is contrary to the purpose of the Direct Loan Program's income contingent repayment plan. They contended that this repayment plan was designed to help students repay their loans, even if the students are starting new careers or are unable to work full time, and that this repayment plan is a legitimate option for all eligible borrowers.

Discussion: We appreciate the commenters' concerns, but continue to believe that this is a potential area for abuse. Without this provision, an institution could have a low cohort default rate, even though a large proportion of its former students are making only minimal or no payments on their loans. Though an institution cannot require all its borrowers to choose one repayment plan, it can, through its counseling, increase the likelihood of a borrower's choosing to repay under the Direct Loan Program's income contingent repayment plan.

We also continue to believe that this provision should apply only to non-degree-granting proprietary institutions. As we stated in the preamble to the NPRM, our experience and data show that student borrowers at non-degree-granting proprietary institutions are at a higher risk of default than other student borrowers. The cohort default rates of non-degree-granting proprietary institutions are, on average, consistently higher than those of other institutions. Since non-degree-granting proprietary institutions provide students with education or training needed to secure employment, a borrower's ability to make substantial payments on a loan reflects the value of the education or training provided by the institution in the marketplace.

Changes: None.

Reinsurance and Default (§ 668.183(c)(2)(ii))

Comments: None.

Discussion: Proposed § 668.183(c)(2)(ii) stated that a borrower is not considered to be in default based on a loan that is no longer reinsured by us. This statement is not correct. A loan that is no longer reinsured by us is removed from the cohort completely: the borrower is neither counted in the cohort nor considered to be a defaulter. However, this is not the situation that we intended to address in this paragraph, and since it is inherent in the cohort default rate process that a loan must be reinsured by us to be included in the calculation, it does not need to be stated explicitly in regulations.

We had intended for § 668.183(c)(2)(ii) to address situations in which a lender repurchases a loan, before the end of the fiscal year immediately following the fiscal year in which it entered repayment, having recognized that the lender's claim for insurance on the loan was submitted or paid in error. In those situations, the loan is not considered to be in default.

Changes: We have revised § 668.183(c)(2)(ii) to provide that, for the purposes of calculating a cohort default rate, a borrower is not considered to be in default on certain repurchased loans.

Change in Status and Change in Institutional Structure or Identity (§ 668.184(a)(3))

Comments: None.

Discussion: Section 668.184 describes how an institution's cohort default rate is determined after certain changes in institutional structure or identity. Under § 668.188, a loss of eligibility imposed against one institution is also applied to one or more other institutions, in certain circumstances, following a change in institutional structure or identity. Because these separate provisions both deal with changes in institutional structure or identity, we believe that, without clarification, there may be confusion about whether both provisions could apply to the same institution based on the same circumstance.

The application of one of these sections to an institution does not preclude the application of the other section to that same institution based on the same circumstance. The sections are separate requirements. A determination of an institution's cohort default rate under § 668.184 does not preclude the application of a loss of eligibility under § 668.188, and the application of a loss of eligibility under § 668.188 does not preclude the determination of an institution's cohort default rate under § 668.184.

Changes: We have renumbered proposed § 668.184(a)(3) as § 668.184(a)(4) and added a new § 668.184(a)(3) to clarify that a change of status that affects the calculation of an institution's cohort default rate under § 668.184 may also affect that institution's eligibility to participate in Title IV, HEA programs under § 668.187 or § 668.188.

Data Manager's Ability To Deny a Challenge, Request for Adjustment, or Appeal (§§ 668.185(a)(4) and 668.189(c))

Comments: Three commenters noted that proposed §§ 668.185(a)(4) and 668.189(c) state that the Department may deny a school's challenge, request for adjustment, or appeal if an institution does not comply with the requirements in the Cohort Default Rate Guide. The commenters suggested that guarantors, as data managers, should have the same latitude to deny non-compliant challenges and appeals as the Department.

Discussion: Only the Secretary may deny an institution's challenge, request for adjustment, or appeal. Data managers do not have the authority to make this determination. If a data manager receives an institution's request for information during the cohort default rate process but is unable to respond because the request lacks necessary information or is not in the required format, then the data manager must ask the institution to submit the missing information or to submit the request in the required format. However, there is no change to the timeframe for the institution's submission; the institution must send its corrected request for information to the data manager within the original timeframe.

Changes: None.

Request for Loan Record Detail Report (§ 668.186(c)(1))

Comments: None.

Discussion: In proposed § 668.186(c)(1), awkward language could have been read to mean that an institution could not request less than two loan record detail reports at a time. Most institutions will only need to request one loan record detail report at a time.

Changes: We have revised § 668.186(c)(1) to clarify that an institution may request any loan record detail report that lists loans included in its cohort default rate calculation.

Loss of Participation for Institutions With Cohort Default Rates Exceeding 40 Percent (§ 668.187(a)(1))

Comments: One commenter supported changes in § 668.187(a)(1), stating that the new regulations would provide institutions that have one cohort default rate over 40 percent with the same opportunities to challenge, request an adjustment, or appeal as those afforded to institutions with three consecutive cohort default rates of 25 percent or more. The commenter stated that the new regulations provide a more equitable process for schools with one cohort rate over 40 percent.

Discussion: We agree with the commenter.

Changes: None.

Preventing Evasion of the Consequences of Cohort Default Rates (§ 668.188(a)(2))

Comments: In the preamble to the NPRM (65 FR 47597). we stated that. in general, an institution is offering an educational program at "substantially the same address" as an ineligible institution if its site is the same as the ineligible institution's site or is physically located close enough to the ineligible institution's site to demonstrate that the educational programs it provides are intended to serve the same population.

Four commenters felt that this statement was an overly broad interpretation of the regulatory criterion. and they asked us to revise our interpretation in this preamble. Some commenters contended that this interpretation would be impossible to apply consistently. because it would require an extensive analysis of the population served by the institutions. The commenters also noted that the statement in the preamble to the NPRM could be read to suggest that we will treat institutions that are located miles apart as being located at "substantially the same address." Three commenters stated that, as distance learning becomes more accepted for all or parts of a program, any school that uses computerized instruction over the internet could be considered to be serving the same population.

The commenters argued that "substantially the same address" should refer to the same building, an adjacent building, the same block, across the street, etc. They stated that these were the examples offered during negotiated rulemaking, to gain consensus for this requirement. and that the consensus achieved during negotiated rulemaking did not include the broad interpretation they believed was reflected in the preamble to the NPRM.

Discussion: The purpose of § 668.188 is to keep institutions from evading the consequences of their cohort default rates through the use of measures such as branching. consolidation. change of ownership or control. or any similar devices. Limiting the interpretation of "substantially the same address" to the specific locations the commenters suggest would not be appropriate for many circumstances. An institution that was able to relocate outside those specific parameters while continuing to serve the same population of students could. in effect. continue to function as the same institution and evade the consequences of its cohort default rates.

For example. after Institution A becomes ineligible to participate in the FFEL and Direct Loan programs. its owner changes Institution A's name to Institution B and moves it 10 blocks away from Institution A's site. Institutions A and B are located in a small city. where no other institutions provide the same type of educational programs. and they serve the same population of students. One week after Institution A becomes ineligible. Institution B opens for business with the same owner and staff. Under the interpretation that the commenters suggest. Institution A's prior loss of eligibility would not be applied to Institution B because their sites are located 10 blocks apart rather than in adjacent buildings, on the same block, across the street, etc.

This result does not serve the goals of section 435(m)(3) of the HEA. which these regulations are intended to implement. In the example. Institution B was created from Institution A merely by changing the name and location. The institutions are owned by the same person. and since they are located in a small city. they provided the same educational programs to the same population of students. It is clear that the change in status was instituted in order to evade the consequences of Institution A's cohort default rates. and also that Institution A is continuing to function as Institution B. In this case. limiting the interpretation of "substantially the same address" to the specific locations the commenters mention would only prompt the owner to locate Institution B at least one building beyond that narrowly-defined area. It would not prevent Institution B from evading the consequences of Institution A's cohort default rates.

During the negotiated rulemaking discussions. we did not intend to limit the interpretation of this provision to a specific geographical area. If we had intended to create a narrowly-defined rule, we would have defined that geographical area specifically in the regulatory language. rather than using the more general term. "substantially the same address." The statement included in the preamble to the NPRM was intended to provide an explanation of the circumstances under which that term could extend further than a narrowly-defined geographical area.

We recognize that this approach may result in some uncertainty among institutions contemplating various changes in status. For this reason. a procedure is included in these regulations for institutions to make inquiries to us. If an institution is undergoing a change in institutional structure or identity and is unsure whether its site is located at "substantially the same address" as another institution's site. it may contact us for an initial determination under § 668.188(d).

Changes: None.

Initial Determination of the Effect of an Anticipated Change on an Institution's Eligibility (§ 668.188(d))

Comments: None.

Discussion: Proposed § 668.188(d) encourages an institution to contact us for an initial determination of the effect of an anticipated change on the institution's eligibility. As written. the proposed regulations did not specify the format for the institution's request or for our response. To ensure that an initial determination is adequately documented. both the institution's request for the initial determination and our response need to be in writing.

Changes: We have revised § 668.188(d) to require institutions' requests for initial determinations and our responses to be in writing.

Requirements for Data Managers' Responses (§ 668.189(e)(2))

Comments: None.

Discussion: Proposed § 668.189(e)(2) stated that correspondence sent to us by a data manager as part of the cohort default rate process "should" be in a format acceptable to us. On further consideration, however. we have determined that the use of the word "should" created an ambiguity. The paragraph did not specify whether it required or merely encouraged data managers to send us correspondence in a format acceptable to us. This ambiguity needs to be resolved.

The word "should" was added to § 668.189(e)(2) during negotiations. Non-Federal negotiators asked us to change proposed language. which provided that the data "must be in a format acceptable to us." to "should be in a format acceptable to us." They made this request so the requirement for data managers would be less rigid and more similar to requirements for institutions. under § 668.189(c). which state that we "may" (instead of "will") deny an institution's request for adjustment or appeal if it does not meet certain requirements.

On further consideration. however. we have determined that changing the language did not make the provisions similar. since an institution risks the denial of its appeal if its request is not in an acceptable format. In contrast. a guaranty agency would not be subject to

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any consequence for not providing data in an acceptable format.

Changes: We have revised § 668.189(e)(2) to clarify the requirement for data managers by making it more similar to the corresponding requirement for institutions, under § 668.189(c). The revised regulations allow guaranty agencies some flexibility, but they also allow the Secretary to require a guaranty agency to provide data in a specified format.

Submission of Erroneous Data Appeals (§ 668.192(a)(2))

Comments: None.

Discussion: Proposed § 668.192(a)(2) did not fully explain the circumstances under which an institution may submit an erroneous data appeal. The proposed regulations stated that an institution may submit an erroneous data appeal if a comparison of its loan record detail reports, for the draft and official cohort default rates, shows that certain data have been newly included, excluded, or otherwise changed. However, in order for an institution to submit an erroneous data appeal for that new data, it must also dispute the data's accuracy. Though this requirement is included in § 668.192(c), as it relates to our determination on an erroneous data appeal, it also needs to be clearly stated for institutions in § 668.192(a)(2).

Changes: We have revised § 668.192(a)(2) to more clearly reflect the criteria for an erroneous data appeal.

Requirements for Submitting Loan Servicing Appeals (§ 668.193(c)(2))

Comments: None.

Discussion: Under proposed § 668.193(c)(2), an institution that is requesting loan servicing records would send the data manager the "list of students that we provided to you." This phrase refers to the "loan record detail report," which is defined in § 668.182(h). To avoid confusion, we have decided to use the term "loan record detail report" in § 668.193(c)(2).

Changes: In § 668.193(c)(2), we have changed "list of students that we provided to you" to "loan record detail report."

Summaries of Eligibility and Submission Requirements for Challenges, Adjustments, and Appeals (Appendix A to Subpart M of Part 668)

Comments: After the NPRM was published, we sent a formatted copy of the proposed Appendix A to a focus group comprised of eight representatives of the financial aid community. We asked for their comments on the usefulness and understandability of the tables in Appendix A. Three commenters responded to our request. Although the commenters appeared to generally understand the tables, their responses identified certain areas in which the tables and their introductions need to be improved.

Discussion: We appreciate the commenters' help and have accepted most of their suggestions.

Changes: We have revised the first table, under "I. Summary of Submission Eligibility," so that it contains a "Yes" or a "No" in each cell, and we have reformatted the table so that its information is arranged and identified more consistently. In the second table, under "II. Summary of Submission Deadlines," we have made several minor formatting and text changes and have rewritten the introductory language to more clearly specify the starting date for each timeframe described in the table, including the starting dates for timeframes when an action is not always required (identified in the table by a dotted border).

However, we did not make all of the changes that the commenters suggested:

- Instead of removing the information associated with the draft cohort default rate process from the first table and adding a separate table for that information, we have specified within the first table that sanctions are never based on draft cohort default rates.
- We have not included page numbers with citations. It would be impossible to keep the page numbers updated so that they would always identify the text as it is first printed in the **Federal Register** and subsequently printed in each year's version of the *Code of Federal Regulations.*
- We have not re-ordered the columns in the second table so that challenges, adjustments, and appeals are presented in the order of their appearance in the regulations. When printed in the *Code of Federal Regulations,* this table will be divided in half and printed on facing pages. If the columns were arranged in the order of the requirements' appearance in the regulations, the columns for §§ 668.191 and 668.192 would be printed on different pages, and it would not be possible to note their common submission requirements.
- We have not included definitions of the terms "you", "we", and "data manager" in Appendix A. This appendix will be published in the Code of Federal Regulations as part of subpart M of part 668. It will not be separated from this subpart by other regulations or appendices, so there is no need to repeat these definitions.
- Instead of explaining in the second table the reason that a school would not receive a loan record detail report with its cohort default rate, we have included this information as an example in the introductory language for the table. There is no space in the table to insert this explanation.

Executive Order 12866

We have reviewed these final regulations in accordance with Executive Order 12866. Under the terms of the order we have assessed the potential costs and benefits of this regulatory action.

The potential costs associated with the final regulations are those resulting from statutory requirements and those we have determined to be necessary for administering these programs effectively and efficiently.

In assessing the potential costs and benefits—both quantitative and qualitative—of these final regulations, we have determined that the benefits of the regulations justify the costs.

We have also determined that this regulatory action does not unduly interfere with State, local, and tribal governments in the exercise of their governmental functions.

We summarized the potential costs and benefits of these final regulations in the preamble to the NPRM (65 FR 47590).

Paperwork Reduction Act of 1995

The Paperwork Reduction Act of 1995 does not require you to respond to a collection of information unless it displays a valid Office of Management and Budget (OMB) control number. We display the valid OMB control number assigned to the collection of information in these final regulations at the end of the affected sections of the regulations.

Intergovernmental Review

The Federal Supplemental Educational Opportunity Grant Program and the Leveraging Educational Assistance Partnership are subject to Executive Order 12372 and the regulations in 34 CFR part 79. One of the objectives of the Executive order is to foster an intergovernmental partnership and a strengthened federalism by relying on processes developed by State and local governments for coordination and review of proposed Federal financial assistance.

In accordance with the order, we intend this document to provide early notification of our specific plans and actions for these programs.

The Federal Family Education Loan, Federal Supplemental Loans for

Students, Federal Work-Study, Federal Perkins Loan, Federal Pell Grant, and William D. Ford Federal Direct Loan programs are not subject to Executive Order 12372 and the regulations in 34 CFR part 79.

Assessment of Educational Impact

In the NPRM we requested comments on whether the proposed regulations would require transmission of information that any other agency or authority of the United States gathers or makes available.

Based on the response to the NPRM and on our review, we have determined that these final regulations do not require transmission of information that any other agency or authority of the United States gathers or makes available.

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Note: The official version of this document is the document published in the **Federal Register**. Free Internet access to the official edition of the **Federal Register** and the Code of Federal Regulations is available on GPO Access at: http://www.access.gpo.gov/nara/index.html.

(Catalog of Federal Domestic Assistance Numbers: 84.007 Federal Supplemental Educational Opportunity Grant Program; 84.032 Federal Family Education Loan Program; 84.032 Federal PLUS Program; 84.032 Federal Supplemental Loans for Students Program; 84.033 Federal Work-Study Program; 84.038 Federal Perkins Loan Program; 84.063 Federal Pell Grant Program; 84.069 Leveraging Educational Assistance Partnership; and 84.268 William D. Ford Federal Direct Loan Program)

List of Subjects

34 CFR Part 668

Administrative practice and procedure, Colleges and universities, Consumer protection, Education, Grant programs—education, Loan programs—education, Reporting and recordkeeping requirements, Student aid, Vocational education.

34 CFR Parts 682 and 685

Administrative practice and procedure, Colleges and universities, Loan programs—education, Reporting and recordkeeping requirements, Student aid, Vocational education.

34 CFR Part 690

Colleges and universities, Education of disadvantaged, Grant programs—education, Reporting and recordkeeping requirements, Student aid.

Dated: October 24, 2000.

Richard W. Riley,

Secretary of Education.

For the reasons discussed in the preamble, the Secretary amends parts 668, 682, 685, and 690 of title 34 of the Code of Federal Regulations as follows:

PART 668—STUDENT ASSISTANCE GENERAL PROVISIONS

1. The authority citation for Part 668 is amended to read as follows:

Authority: 20 U.S.C. 1001, 1002, 1003, 1085, 1088, 1091, 1092, 1094, 1099c, and 1099c–1, unless otherwise noted.

§ 668.14 [Amended]

2. In § 668.14, paragraph (b)(15)(iii) is removed.

3. Section 668.16 is amended—

A. In paragraph (m)(1), by removing "an FFEL Program cohort default rate, a Direct Loan cohort rate, or where applicable, a weighted average cohort rate" and adding, in its place, "a cohort default rate".

B. In paragraph (m)(1)(i), by removing "As defined in § 668.17" and adding, in its place, "Calculated under subpart M of this part".

C. By revising paragraph (m)(2).

§ 668.16 Standards of administrative capability.

* * * * *

(m) * * *

(2)(i) However, if the Secretary determines that an institution's administrative capability is impaired solely because the institution fails to comply with paragraph (m)(1) of this section, the Secretary allows the institution to continue to participate in the Title IV, HEA programs but may provisionally certify the institution in accordance with § 668.13(c); and

(ii) The institution may appeal the loss of full participation in a Title IV, HEA program under paragraph (m)(1) of this section by submitting an erroneous data appeal in writing to the Secretary in accordance with and on the grounds specified in subpart M of this part;

* * * * *

§ 668.17 [Removed and reserved]

4. Section 668.17 is removed and reserved.

§ 668.26 [Amended]

5. In § 668.26, paragraph (a)(6) is amended by removing "§ 668.17(c)" and adding, in its place, "subpart M of this part".

§ 668.46 [Amended]

6. In § 668.46, paragraph (c)(7) is amended by removing "Appendix E to this part", and adding, in its place, "appendix A to this subpart".

7. Section 668.85 is amended—

A. By revising paragraph (b)(1)(ii).

B. In paragraph (b)(3), by removing the third sentence.

§ 668.85 Suspension proceedings.

* * * * *

(b) * * *

(1) * * *

(ii) Specifies the proposed effective date of the suspension, which is at least 20 days after the date of mailing of the notice of intent;

* * * * *

8. Section 668.86 is amended—

A. By revising paragraph (b)(1)(ii).

B. In paragraph (b)(3), by removing the third sentence.

§ 668.86 Limitation or termination proceedings.

* * * * *

(b) * * *

(1) * * *

(ii) Specifies the proposed effective date of the limitation or termination, which is at least 20 days after the date of mailing of the notice of intent;

* * * * *

§ 668.90 [Amended]

9. In § 668.90, paragraphs (a)(1)(iii)(D) and (a)(3)(iv) are removed; and paragraphs (a)(3)(v), (a)(3)(vi), and (a)(3)(vii) are redesignated as paragraphs (a)(3)(iv), (a)(3)(v), and (a)(3)(vi), respectively.

§ 668.171 [Amended]

10. In § 668.171, paragraph (b)(1) is amended by removing "appendices F and G" and adding, in its place, "appendices A and B to this subpart".

§ 668.172 [Amended]

11. Section 668.172 is amended—

A. In the heading for paragraph (a), by removing "Appendices F and G", and adding, in its place, "Appendices A and B".

B. In paragraph (a), by removing "appendices F and G to this part" and adding, in its place, "appendices A and B to this subpart".

C. In paragraph (b), by removing "appendix F" and adding, in its place, "appendix A"; and by removing "appendix C" and adding, in its place, "appendix B".

12. A new subpart M is added to Part 668 to read as follows:

Subpart M—Cohort Default Rates

Sec.

668.181 Purpose of this subpart.
668.182 Definitions of terms used in this subpart.
668.183 Calculating and applying cohort default rates.
668.184 Determining cohort default rates for institutions that have undergone a change in status.
668.185 Draft cohort default rates and your ability to challenge before official cohort default rates are issued.
668.186 Notice of your official cohort default rate.
668.187 Consequences of cohort default rates on your ability to participate in Title IV, HEA programs.
668.188 Preventing evasion of the consequences of cohort default rates.
668.189 General requirements for adjusting official cohort default rates and for appealing their consequences.
668.190 Uncorrected data adjustments.
668.191 New data adjustments.
668.192 Erroneous data appeals.
668.193 Loan servicing appeals.
668.194 Economically disadvantaged appeals.
668.195 Participation rate index appeals.
668.196 Average rates appeals.
668.197 Thirty-or-fewer borrowers appeals.
668.198 Relief from the consequences of cohort default rates for special institutions.
Appendix A to Subpart M of Part 668— Summaries of eligibility and submission requirements for challenges, adjustments, and appeals.
Appendix B to Subpart M of Part 668— Sample default management plan for special institutions to use when complying with § 668.198.

§ 668.181 Purpose of this subpart.

Your cohort default rate is a measure we use to determine your eligibility to participate in various Title IV, HEA programs. We may also use it for determining your eligibility for exemptions, such as those for certain disbursement requirements under the FFEL and Direct Loan Programs. This subpart describes how cohort default rates are calculated, some of the consequences of cohort default rates, and how you may request changes to your cohort default rates or appeal their consequences. Under this subpart, you submit a "challenge" after you receive your draft cohort default rate, and you request an "adjustment" or "appeal" after your official cohort default rate is published.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.182 Definitions of terms used in this subpart.

We use the following definitions in this subpart:

(a) *Cohort.* Your cohort is a group of borrowers used to determine your cohort default rate. The method for identifying the borrowers in a cohort is provided in § 668.183(b).

(b) *Data manager.* (1) For FFELP loans held by a guaranty agency or lender, the guaranty agency is the data manager.

(2) For FFELP loans that we hold, we are the data manager.

(3) For Direct Loan Program loans, the Direct Loan Servicer, as defined in 34 CFR 685.102, is the data manager.

(c) *Days.* In this subpart, "days" means calendar days.

(d) *Default.* A borrower is considered to be in default for cohort default rate purposes under the rules in § 668.183(c).

(e) *Draft cohort default rate.* Your draft cohort default rate is a rate we issue, for your review, before we issue your official cohort default rate. A draft cohort default rate is used only for the purposes described in § 668.185.

(f) *Entering repayment.* (1) Except as provided in paragraphs (f)(2) and (f)(3) of this section, loans are considered to enter repayment on the dates described in 34 CFR 682.200 (under the definition of "repayment period") and in 34 CFR 685.207.

(2) A Federal SLS loan is considered to enter repayment—

(i) At the same time the borrower's Federal Stafford loan enters repayment, if the borrower received the Federal SLS loan and the Federal Stafford loan during the same period of continuous enrollment; or

(ii) In all other cases, on the day after the student ceases to be enrolled at an institution on at least a half-time basis in an educational program leading to a degree, certificate, or other recognized educational credential.

(3) For the purposes of this subpart, a loan is considered to enter repayment on the date that a borrower repays it in full, if the loan is paid in full before the loan enters repayment under paragraphs (f)(1) or (f)(2) of this section.

(g) *Fiscal year.* A fiscal year begins on October 1 and ends on the following September 30. A fiscal year is identified by the calendar year in which it ends.

(h) *Loan record detail report.* The loan record detail report is a report that we produce. It contains the data used to calculate your draft or official cohort default rate.

(i) *Official cohort default rate.* Your official cohort default rate is the cohort default rate that we publish for you under § 668.186. Cohort default rates calculated under this subpart are not related in any way to cohort default rates that are calculated for the Federal Perkins Loan Program.

(j) *We.* We are the Department, the Secretary, or the Secretary's designee.

(k) *You.* You are an institution.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.183 Calculating and applying cohort default rates.

(a) *General.* This section describes the four steps that we follow to calculate and apply your cohort default rate for a fiscal year:

(1) First, under paragraph (b) of this section, we identify the borrowers in your cohort for the fiscal year. If the total number of borrowers in that cohort is fewer than 30, we also identify the borrowers in your cohorts for the 2 most recent prior fiscal years.

(2) Second, under paragraph (c) of this section, we identify the borrowers in the cohort (or cohorts) who are considered to be in default. If more than one cohort will be used to calculate your cohort default rate, we identify defaulted borrowers separately for each cohort.

(3) Third, under paragraph (d) of this section, we calculate your cohort default rate.

(4) Fourth, we apply your cohort default rate to all of your locations—

(i) As you exist on the date you receive the notice of your official cohort default rate; and

(ii) From the date on which you receive the notice of your official cohort default rate until you receive our notice that the cohort default rate no longer applies.

(b) *Identify the borrowers in a cohort.* (1) Your cohort for a fiscal year consists of all of your current and former students who, during that fiscal year, entered repayment on any Federal Stafford loan, Federal SLS loan, Direct Subsidized loan, or Direct Unsubsidized loan that they received to attend your institution, or on the portion of a loan made under the Federal Consolidation Loan Program or the Federal Direct Consolidation Loan Program (as defined in 34 CFR 685.102) that is used to repay those loans.

(2) A borrower may be included in more than one of your cohorts and may be included in the cohorts of more than one institution in the same fiscal year.

(c) *Identify the borrowers in a cohort who are in default.* (1) Except as provided in paragraph (c)(2) of this section, for the purposes of this subpart a borrower in a cohort for a fiscal year is considered to be in default if—

(i) Before the end of the following fiscal year, the borrower defaults on any FFELP loan that was used to include the borrower in the cohort or on any Federal Consolidation Loan Program loan that repaid a loan that was used to include the borrower in the cohort (however, a borrower is not considered to be in default unless a claim for insurance has been paid on the loan by a guaranty agency or by us);

(ii) Before the end of the following fiscal year, the borrower fails to make an installment payment, when due, on any Direct Loan Program loan that was used to include the borrower in the cohort or on any Federal Direct Consolidation Loan Program loan that repaid a loan that was used to include the borrower in the cohort, and the borrower's failure persists for 360 days (or for 270 days, if the borrower's first day of delinquency was before October 7, 1998);

(iii) You are a proprietary, non-degree-granting institution, and before the end of the following fiscal year, the borrower has been in repayment for 360 days, under the Direct Loan Program's income contingent repayment plan, on a loan used to include the borrower in your cohort (or that repaid a loan that was used to include the borrower in your cohort), with scheduled payments that are less than 15 dollars per month and are less than the amount of interest accruing on the loan; or

(iv) Before the end of the following fiscal year, you or your owner, agent, contractor, employee, or any other affiliated entity or individual make a payment to prevent a borrower's default on a loan that is used to include the borrower in that cohort.

(2) A borrower is not considered to be in default based on a loan that is, before the end of the fiscal year immediately following the fiscal year in which it entered repayment—

(i) Rehabilitated under 34 CFR 682.405 or 34 CFR 685.211(e); or

(ii) Repurchased by a lender because the claim for insurance was submitted or paid in error.

(d) *Calculate the cohort default rate.* Except as provided in § 668.184, if there are—

(1) Thirty or more borrowers in your cohort for a fiscal year, your cohort default rate is the percentage that is derived by dividing—

(i) The number of borrowers in the cohort who are in default, as determined under paragraph (c) of this section; by

(ii) The number of borrowers in the cohort, as determined under paragraph (b) of this section.

(2) Fewer than 30 borrowers in your cohort for a fiscal year, your cohort default rate is the percentage that is derived by dividing—

(i) The total number of borrowers in that cohort and in the two most recent prior cohorts who are in default, as determined for each cohort under paragraph (c) of this section; by

(ii) The total number of borrowers in that cohort and the two most recent prior cohorts, as determined for each cohort under paragraph (b) of this section.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.184 Determining cohort default rates for institutions that have undergone a change in status.

(a) *General.* (1) If you undergo a change in status identified in this section, your cohort default rate is determined under this section.

(2) In determining cohort default rates under this section, the date of a merger, acquisition, or other change in status is the date the change occurs.

(3) A change in status may affect your eligibility to participate in Title IV, HEA programs under § 668.187 or § 668.188.

(4) If another institution's cohort default rate is applicable to you under this section, you may challenge, request an adjustment, or submit an appeal for the cohort default rate under the same requirements that would be applicable to the other institution under §§ 668.185 and 668.189.

(b) *Acquisition or merger of institutions.* If your institution acquires, or was created by the merger of, one or more institutions that participated independently in the Title IV, HEA programs immediately before the acquisition or merger—

(1) For the cohort default rates published before the date of the acquisition or merger, your cohort default rates are the same as those of your predecessor that had the highest total number of borrowers entering repayment in the two most recent cohorts used to calculate those cohort default rates; and

(2) Beginning with the first cohort default rate published after the date of the acquisition or merger, your cohort default rates are determined by including the applicable borrowers from each institution involved in the acquisition or merger in the calculation under § 668.183.

(c) *Acquisition of branches or locations.* If you acquire a branch or a location from another institution participating in the Title IV, HEA programs—

(1) The cohort default rates published for you before the date of the change apply to you and to the newly acquired branch or location;

(2) Beginning with the first cohort default rate published after the date of the change, your cohort default rates for the next 3 fiscal years are determined by including the applicable borrowers from your institution and the other institution (including all of its locations) in the calculation under § 668.183;

(3) After the period described in paragraph (c)(2) of this section, your cohort default rates do not include borrowers from the other institution in the calculation under § 668.183; and

(4) At all times, the cohort default rate for the institution from which you acquired the branch or location is not affected by this change in status.

(d) *Branches or locations becoming institutions.* If you are a branch or location of an institution that is participating in the Title IV, HEA programs, and you become a separate, new institution for the purposes of participating in those programs—

(1) The cohort default rates published before the date of the change for your former parent institution are also applicable to you;

(2) Beginning with the first cohort default rate published after the date of the change, your cohort default rates for the next 3 fiscal years are determined by including the applicable borrowers from your institution and your former parent institution (including all of its locations) in the calculation under § 668.183; and

(3) After the period described in paragraph (d)(2) of this section, your cohort default rates do not include borrowers from your former parent institution in the calculation under § 668.183.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.185 Draft cohort default rates and your ability to challenge before official cohort default rates are issued.

(a) *General.* (1) We notify you of your draft cohort default rate before your official cohort default rate is calculated. Our notice includes the loan record detail report for the draft cohort default rate.

(2) Regardless of the number of borrowers included in your cohort, your

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draft cohort default rate is always calculated using data for that fiscal year alone, using the method described in § 668.183(d)(1).

(3) Your draft cohort default rate and the loan record detail report are not considered public information and may not be otherwise voluntarily released by a data manager.

(4) Any challenge you submit under this section and any response provided by a data manager must be in a format acceptable to us. This acceptable format is described in the "Cohort Default Rate Guide" that we provide to you. If your challenge does not comply with the requirements in the "Cohort Default Rate Guide," we may deny your challenge.

(b) *Incorrect data challenges.* (1) You may challenge the accuracy of the data included on the loan record detail report by sending a challenge to the relevant data manager, or data managers, within 45 days after you receive the data. Your challenge must include—

(i) A description of the information in the loan record detail report that you believe is incorrect; and

(ii) Documentation that supports your contention that the data are incorrect.

(2) Within 30 days after receiving your challenge, the data manager must send you and us a response that—

(i) Addresses each of your allegations of error; and

(ii) Includes the documentation that supports the data manager's position.

(3) If your data manager concludes that draft data in the loan record detail report are incorrect, and we agree, we use the corrected data to calculate your cohort default rate.

(4) If you fail to challenge the accuracy of data under this section, you cannot contest the accuracy of those data in an uncorrected data adjustment, under § 668.190, or in an erroneous data appeal, under § 668.192.

(c) *Participation rate index challenges.* (1)(i) You may challenge an anticipated loss of eligibility under § 668.187(a)(1), based on one cohort default rate over 40 percent, if your participation rate index for that cohort's fiscal year is equal to or less than 0.06015.

(ii) You may challenge an anticipated loss of eligibility under § 668.187(a)(2), based on three cohort default rates of 25 percent or greater, if your participation rate index is equal to or less than 0.0375 for any of those three cohorts' fiscal years.

(2) For a participation rate index challenge, your participation rate index is calculated as described in § 668.195(b), except that—

(i) The draft cohort default rate is considered to be your most recent cohort default rate; and

(ii) If the cohort used to calculate your draft cohort default rate included fewer than 30 borrowers, you may calculate your participation rate index for that fiscal year using either your most recent draft cohort default rate or the average rate that would be calculated for that fiscal year, using the method described in § 668.183(d)(2).

(3) You must send your participation rate index challenge, including all supporting documentation, to us within 45 days after you receive your draft cohort default rate.

(4) We notify you of our determination on your participation rate index challenge before your official cohort default rate is published.

(5) If we determine that you qualify for continued eligibility based on your participation rate index challenge, you will not lose eligibility under § 668.187 when your next official cohort default rate is published. A successful challenge that is based on your draft cohort default rate does not excuse you from any other loss of eligibility. However, if your successful challenge of a loss of eligibility under paragraph (c)(1)(ii) of this section is based on a prior, official cohort default rate, and not on your draft cohort default rate, we also excuse you from any subsequent loss of eligibility, under § 668.187(a)(2), that would be based on that official cohort default rate.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.186 Notice of your official cohort default rate.

(a) We notify you of your cohort default rate after we calculate it. After we send our notice to you, we publish a list of cohort default rates for all institutions.

(b) If your cohort default rate is 10 percent or more, we include a copy of the loan record detail report with the notice.

(c) If your cohort default rate is less than 10 percent—

(1) You may request a copy of any loan record detail report that lists loans included in your cohort default rate calculation; and

(2) If you are requesting an adjustment or appealing under this subpart, your request for a copy of the loan record detail report or reports must be sent to us within 15 days after you receive the notice of your cohort default rate.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.187 Consequences of cohort default rates on your ability to participate in Title IV, HEA programs.

(a) *End of participation.* (1) Except as provided in paragraph (f) of this section, you lose your eligibility to participate in the FFEL and Direct Loan programs 30 days after you receive our notice that your most recent cohort default rate is greater than 40 percent.

(2) Except as provided in paragraphs (e) and (f) of this section, you lose your eligibility to participate in the FFEL, Direct Loan, and Federal Pell Grant programs 30 days after you receive our notice that your three most recent cohort default rates are each 25 percent or greater.

(b) *Length of period of ineligibility.* Your loss of eligibility under this section continues—

(1) For the remainder of the fiscal year in which we notify you that you are subject to a loss of eligibility; and

(2) For the next 2 fiscal years.

(c) *Using a cohort default rate more than once.* The use of a cohort default rate as a basis for a loss of eligibility under this section does not preclude its use as a basis for—

(1) Any concurrent or subsequent loss of eligibility under this section; or

(2) Any other action by us.

(d) *Special institutions.* If you are a special institution that satisfies the requirements for continued eligibility under § 668.198, you are not subject to any loss of eligibility under this section or to provisional certification under § 668.16(m).

(e) *Continuing participation in Pell.* If you are subject to a loss of eligibility under paragraph (a)(2) of this section, based on three cohort default rates of 25 percent or greater, you may continue to participate in the Federal Pell Grant Program if we determine that you—

(1) Were ineligible to participate in the FFEL and Direct Loan programs before October 7, 1998, and your eligibility was not reinstated;

(2) Requested in writing, before October 7, 1998, to withdraw your participation in the FFEL and Direct Loan programs, and you were not later reinstated; or

(3) Have not certified an FFELP loan or originated a Direct Loan Program loan on or after July 7, 1998.

(f) *Requests for adjustments and appeals.* (1) A loss of eligibility under this section does not take effect while your request for adjustment or appeal, as listed in § 668.189(a), is pending, provided your request for adjustment or appeal is complete, timely, accurate, and in the required format.

(2) Eligibility continued under paragraph (f)(1) of this section ends if we determine that none of the requests for adjustments and appeals you have submitted qualify you for continued eligibility under § 668.189. Loss of eligibility takes effect on the date that you receive notice of our determination on your last pending request for adjustment or appeal.

(3) You do not lose eligibility under this section if we determine that your request for adjustment or appeal meets all requirements of this subpart and qualifies you for continued eligibility under § 668.189.

(4) To avoid liabilities you might otherwise incur under paragraph (g) of this section, you may choose to suspend your participation in the FFEL and Direct Loan programs during the adjustment or appeal process.

(g) *Liabilities during the adjustment or appeal process.* If you continued to participate in the FFEL or Direct Loan Program under paragraph (f)(1) of this section, and we determine that none of your requests for adjustments or appeals qualify you for continued eligibility—

(1) For any FFEL or Direct Loan Program loan that you certified and delivered or originated and disbursed more than 30 days after you received the notice of your cohort default rate, we estimate the amount of interest, special allowance, reinsurance, and any related or similar payments we make or are obligated to make on those loans;

(2) We exclude from this estimate any amount attributable to funds that you delivered or disbursed more than 45 days after you submitted your completed appeal to us;

(3) We notify you of the estimated amount; and

(4) Within 45 days after you receive our notice of the estimated amount, you must pay us that amount, unless—

(i) You file an appeal under the procedures established in subpart H of this part (for the purposes of subpart H of this part, our notice of the estimate is considered to be a final program review determination); or

(ii) We permit a longer repayment period.

(h) *Regaining eligibility.* If you lose your eligibility to participate in a program under this section, you may not participate in that program until—

(1) The period described in paragraph (b) of this section has ended;

(2) You pay any amount owed to us under this section or are meeting that obligation under an agreement acceptable to us;

(3) You submit a new application for participation in the program;

(4) We determine that you meet all of the participation requirements in effect at the time of your application; and

(5) You and we enter into a new program participation agreement.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.188 Preventing evasion of the consequences of cohort default rates.

(a) *General.* Unless you are a special institution complying with § 668.198, you are subject to a loss of eligibility that has already been imposed against another institution under § 668.187 if—

(1) You and the ineligible institution are both parties to a transaction that results in a change of ownership, a change in control, a merger, a consolidation, an acquisition, a change of name, a change of address, any change that results in a location becoming a freestanding institution, a purchase or sale, a transfer of assets, an assignment, a change of identification number, a contract for services, an addition or closure of one or more locations or branches or educational programs, or any other change in whole or in part in institutional structure or identity;

(2) Following the change described in paragraph (a)(1) of this section, you offer an educational program at substantially the same address at which the ineligible institution had offered an educational program before the change; and

(3) There is a commonality of ownership or management between you and the ineligible institution, as the ineligible institution existed before the change.

(b) *Commonality of ownership or management.* For the purposes of this section, a commonality of ownership or management exists if, at each institution, the same person (as defined in 34 CFR 600.31) or members of that person's family, directly or indirectly—

(1) Holds or held a managerial role; or

(2) Has or had the ability to affect substantially the institution's actions, within the meaning of 34 CFR 600.21.

(c) *Teach-outs.* Notwithstanding paragraph (b)(1) of this section, a commonality of management does not exist if you are conducting a teach-out under a teach-out agreement as defined in 34 CFR 602.3 and administered in accordance with 34 CFR 602.24(c), and—

(1)(i) Within 60 days after the change described in this section, you send us the names of the managers for each facility undergoing the teach-out as it existed before the change and for each facility as it exists after you believe that the commonality of management has ended; and

(ii) We determine that the commonality of management, as described in paragraph (b)(1) of this section, has ended; or

(2)(i) Within 30 days after you receive our notice that we have denied your submission under paragraph (c)(1)(i) of this section, you make the management changes we request and send us a list of the names of the managers for each facility undergoing the teach-out as it exists after you make those changes; and

(ii) We determine that the commonality of management, as described in paragraph (b)(1) of this section, has ended.

(d) *Initial determination.* We encourage you to contact us before undergoing a change described in this section. If you write to us, providing the information we request, we will provide a written initial determination of the anticipated change's effect on your eligibility.

(e) *Notice of accountability.* (1) We notify you in writing if, in response to your notice or application filed under 34 CFR 600.20 or 600.21, we determine that you are subject to a loss of eligibility, under paragraph (a) of this section, that has been imposed against another institution.

(2) Our notice also advises you of the scope and duration of your loss of eligibility. The loss of eligibility applies to all of your locations from the date you receive our notice until the expiration of the period of ineligibility applicable to the other institution.

(3) If you are subject to a loss of eligibility under this section that has already been imposed against another institution, you may only request an adjustment or submit an appeal for the loss of eligibility under the same requirements that would be applicable to the other institution under § 668.189.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.189 General requirements for adjusting official cohort default rates and for appealing their consequences.

(a) *Remaining eligible.* You do not lose eligibility under § 668.187 if—

(1) We recalculate your cohort default rate, and it is below the percentage

threshold for the loss of eligibility as the result of—

(i) An uncorrected data adjustment submitted under this section and § 668.190;

(ii) A new data adjustment submitted under this section and § 668.191;

(iii) An erroneous data appeal submitted under this section and § 668.192; or

(iv) A loan servicing appeal submitted under this section and § 668.193; or

(2) You meet the requirements for—

(i) An economically disadvantaged appeal submitted under this section and § 668.194;

(ii) A participation rate index appeal submitted under this section and § 668.195;

(iii) An average rates appeal submitted under this section and § 668.196; or

(iv) A thirty-or-fewer borrowers appeal submitted under this section and § 668.197.

(b) *Limitations on your ability to dispute your cohort default rate.* (1) You may not dispute the calculation of a cohort default rate except as described in this subpart.

(2) You may not request an adjustment or appeal a cohort default rate, under § 668.190, § 668.191, § 668.192, or § 668.193, more than once.

(3) You may not request an adjustment or appeal a cohort default rate, under § 668.190, § 668.191, § 668.192, or § 668.193, if you previously lost your eligibility to participate in a Title IV, HEA program, under § 668.187, based entirely or partially on that cohort default rate.

(c) *Content and format of requests for adjustments and appeals.* We may deny your request for adjustment or appeal if it does not meet the following requirements:

(1) All appeals, notices, requests, independent auditor's opinions, management's written assertions, and other correspondence that you are required to send under this subpart must be complete, timely, accurate, and in a format acceptable to us. This acceptable format is described in the "Cohort Default Rate Guide" that we provide to you.

(2) Your completed request for adjustment or appeal must include—

(i) All of the information necessary to substantiate your request for adjustment or appeal; and

(ii) A certification by your chief executive officer, under penalty of perjury, that all the information you provide is true and correct.

(d) *Our copies of your correspondence.* Whenever you are required by this subpart to correspond with a party other than us, you must send us a copy of your correspondence within the same time deadlines. However, you are not required to send us copies of documents that you received from us originally.

(e) *Requirements for data managers' responses.* (1) Except as otherwise provided in this subpart, if this subpart requires a data manager to correspond with any party other than us, the data manager must send us a copy of the correspondence within the same time deadlines.

(2) If a data manager sends us correspondence under this subpart that is not in a format acceptable to us, we may require the data manager to revise that correspondence's format, and we may prescribe a format for that data manager's subsequent correspondence with us.

(f) *Our decision on your request for adjustment or appeal.* (1) We determine whether your request for an adjustment or appeal is in compliance with this subpart.

(2) In making our decision for an adjustment, under § 668.190 or § 668.191, or an appeal, under § 668.192 or § 668.193—

(i) We presume that the information provided to you by a data manager is correct unless you provide substantial evidence that shows the information is not correct; and

(ii) If we determine that a data manager did not provide the necessary clarifying information or legible records in meeting the requirements of this subpart, we presume that the evidence that you provide to us is correct unless it is contradicted or otherwise proven to be incorrect by information we maintain.

(3) Our decision is based on the materials you submit under this subpart. We do not provide an oral hearing.

(4) We notify you of our decision—

(i) If you request an adjustment or appeal because you are subject to a loss of eligibility under § 668.187, within 45 days after we receive your completed request for an adjustment or appeal; or

(ii) In all other cases, except for appeals submitted under § 668.192(a) to avoid provisional certification, before we notify you of your next official cohort default rate.

(5) You may not seek judicial review of our determination of a cohort default rate until we issue our decision on all pending requests for adjustments or appeals for that cohort default rate.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.190 Uncorrected data adjustments.

(a) *Eligibility.* You may request an uncorrected data adjustment for your most recent cohort of borrowers, used to calculate your most recent official cohort default rate, if in response to your challenge under § 668.185(b), a data manager agreed correctly to change the data, but the changes are not reflected in your official cohort default rate.

(b) *Deadlines for requesting an uncorrected data adjustment.* (1) If the loan record detail report was not included with your official cohort default rate notice, you must request it within 15 days after you receive the notice of your official cohort default rate.

(2) You must send us a request for an uncorrected data adjustment, including all supporting documentation, within 30 days after you receive your loan record detail report from us.

(c) *Determination.* We recalculate your cohort default rate, based on the corrected data, if we determine that—

(1) In response to your challenge under § 668.185(b), a data manager agreed to change the data;

(2) The changes described in paragraph (c)(1) of this section are not reflected in your official cohort default rate; and

(3) We agree that the data are incorrect.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.191 New data adjustments.

(a) *Eligibility.* You may request a new data adjustment for your most recent cohort of borrowers, used to calculate your most recent official cohort default rate, if—

(1) A comparison of the loan record detail reports that we provide to you for the draft and official cohort default rates shows that the data have been newly included, excluded, or otherwise changed; and

(2) You identify errors in the data described in paragraph (a)(1) of this section that are confirmed by the data manager.

(b) *Deadlines for requesting a new data adjustment.* (1) If the loan record detail report was not included with your official cohort default rate notice, you must request it within 15 days after you receive the notice of your official cohort default rate.

(2) You must send the relevant data manager, or data managers, and us a request for a new data adjustment.

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including all supporting documentation, within 15 days after you receive your loan record detail report from us.

(3) Within 20 days after receiving your request for a new data adjustment, the data manager must send you and us a response that—

(i) Addresses each of your allegations of error; and

(ii) Includes the documentation used to support the data manager's position.

(4) Within 15 days after receiving a guaranty agency's notice that we hold an FFELP loan about which you are inquiring, you must send us your request for a new data adjustment for that loan. We respond to your request under paragraph (b)(3) of this section.

(5) Within 15 days after receiving incomplete or illegible records or data from a data manager, you must send a request for replacement records or clarification of data to the data manager and us.

(6) Within 20 days after receiving your request for replacement records or clarification of data, the data manager must—

(i) Replace the missing or illegible records;

(ii) Provide clarifying information; or

(iii) Notify you and us that no clarifying information or additional or improved records are available.

(7) You must send us your completed request for a new data adjustment, including all supporting documentation—

(i) Within 30 days after you receive the final data manager's response to your request or requests; or

(ii) If you are also filing an erroneous data appeal or a loan servicing appeal, by the latest of the filing dates required in paragraph (b)(7)(i) of this section or in § 668.192(b)(6)(i) or § 668.193(c)(10)(i).

(c) *Determination.* If we determine that incorrect data were used to calculate your cohort default rate, we recalculate your cohort default rate based on the correct data.

(Approved by the Office of Management and Budget under control number 1845-0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.192 Erroneous data appeals.

(a) *Eligibility.* Except as provided in § 668.189(b), you may appeal the calculation of a cohort default rate upon which a loss of eligibility, under § 668.187, or provisional certification, under § 668.16(m), is based if—

(1) You dispute the accuracy of data that you previously challenged on the basis of incorrect data, under § 668.185(b); or

(2) A comparison of the loan record detail reports that we provide to you for the draft and official cohort default rates shows that the data have been newly included, excluded, or otherwise changed, and you dispute the accuracy of that data.

(b) *Deadlines for submitting an appeal.* (1) You must send a request for verification of data errors to the relevant data manager, or data managers, and to us within 15 days after you receive the notice of your loss of eligibility or provisional certification. Your request must include a description of the information in the cohort default rate data that you believe is incorrect and all supporting documentation that demonstrates the error.

(2) Within 20 days after receiving your request for verification of data errors, the data manager must send you and us a response that—

(i) Addresses each of your allegations of error; and

(ii) Includes the documentation used to support the data manager's position.

(3) Within 15 days after receiving a guaranty agency's notice that we hold an FFELP loan about which you are inquiring, you must send us your request for verification of that loan's data errors. Your request must include a description of the information in the cohort default rate data that you believe is incorrect and all supporting documentation that demonstrates the error. We respond to your request under paragraph (b)(2) of this section.

(4) Within 15 days after receiving incomplete or illegible records or data, you must send a request for replacement records or clarification of data to the data manager and us.

(5) Within 20 days after receiving your request for replacement records or clarification of data, the data manager must—

(i) Replace the missing or illegible records;

(ii) Provide clarifying information; or

(iii) Notify you and us that no clarifying information or additional or improved records are available.

(6) You must send your completed appeal to us, including all supporting documentation—

(i) Within 30 days after you receive the final data manager's response to your request; or

(ii) If you are also requesting a new data adjustment or filing a loan servicing appeal, by the latest of the filing dates required in paragraph (b)(6)(i) of this section or in § 668.191(b)(7)(i) or § 668.193(c)(10)(i).

(c) *Determination.* If we determine that incorrect data were used to calculate your cohort default rate, we recalculate your cohort default rate based on the correct data.

(Approved by the Office of Management and Budget under control number 1845-0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.193 Loan servicing appeals.

(a) *Eligibility.* Except as provided in § 668.189(b), you may appeal, on the basis of improper loan servicing or collection, the calculation of—

(1) Your most recent cohort default rate; or

(2) Any cohort default rate upon which a loss of eligibility under § 668.187 is based.

(b) *Improper loan servicing.* For the purposes of this section, a default is considered to have been due to improper loan servicing or collection only if the borrower did not make a payment on the loan and you prove that the FFEL Program lender or the Direct Loan Servicer, as defined in 34 CFR 685.102, failed to perform one or more of the following activities, if that activity applies to the loan:

(1) Send at least one letter (other than the final demand letter) urging the borrower to make payments on the loan;

(2) Attempt at least one phone call to the borrower;

(3) Send a final demand letter to the borrower;

(4) For a Direct Loan Program loan only, document that skip tracing was performed if the Direct Loan Servicer determined that it did not have the borrower's current address; and

(5) For an FFELP loan only—

(i) Submit a request for preclaims or default aversion assistance to the guaranty agency; and

(ii) Submit a certification or other documentation that skip tracing was performed to the guaranty agency.

(c) *Deadlines for submitting an appeal.* (1) If the loan record detail report was not included with your official cohort default rate notice, you must request it within 15 days after you receive the notice of your official cohort default rate.

(2) You must send a request for loan servicing records to the relevant data manager, or data managers, and to us within 15 days after you receive your loan record detail report from us. If the data manager is a guaranty agency, your request must include a copy of the loan record detail report.

(3) Within 20 days after receiving your request for loan servicing records, the data manager must—

(i) Send you and us a list of the borrowers in your representative

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sample, as described in paragraph (d) of this section (the list must be in social security number order, and it must include the number of defaulted loans included in the cohort for each listed borrower);

(ii) Send you and us a description of how your representative sample was chosen; and

(iii) Either send you copies of the loan servicing records for the borrowers in your representative sample and send us a copy of its cover letter indicating that the records were sent, or send you and us a notice of the amount of its fee for providing copies of the loan servicing records.

(4) The data manager may charge you a reasonable fee for providing copies of loan servicing records, but it may not charge more than $10 per borrower file. If a data manager charges a fee, it is not required to send the documents to you until it receives your payment of the fee.

(5) If the data manager charges a fee for providing copies of loan servicing records, you must send payment in full to the data manager within 15 days after you receive the notice of the fee.

(6) If the data manager charges a fee for providing copies of loan servicing records, and—

(i) You pay the fee in full and on time, the data manager must send you, within 20 days after it receives your payment, a copy of all loan servicing records for each loan in your representative sample (the copies are provided to you in hard copy format unless the data manager and you agree that another format may be used), and it must send us a copy of its cover letter indicating that the records were sent; or

(ii) You do not pay the fee in full and on time, the data manager must notify you and us of your failure to pay the fee and that you have waived your right to challenge the calculation of your cohort default rate based on the data manager's records. We accept that determination unless you prove that it is incorrect.

(7) Within 15 days after receiving a guaranty agency's notice that we hold an FFELP loan about which you are inquiring, you must send us your request for the loan servicing records for that loan. We respond to your request under paragraph (c)(3) of this section.

(8) Within 15 days after receiving incomplete or illegible records, you must send a request for replacement records to the data manager and us.

(9) Within 20 days after receiving your request for replacement records, the data manager must either—

(i) Replace the missing or illegible records; or

(ii) Notify you and us that no additional or improved copies are available.

(10) You must send your appeal to us, including all supporting documentation—

(i) Within 30 days after you receive the final data manager's response to your request for loan servicing records; or

(ii) If you are also requesting a new data adjustment or filing an erroneous data appeal, by the latest of the filing dates required in paragraph (c)(10)(i) of this section or in § 668.191(b)(7)(i) or § 668.192(b)(6)(i).

(d) *Representative sample of records.* (1) To select a representative sample of records, the data manager first identifies all of the borrowers for whom it is responsible and who had loans that were considered to be in default in the calculation of the cohort default rate you are appealing. However, for the purposes of this paragraph, the data manager does not identify a borrower as defaulted due to repayment under the Direct Loan Program's income contingent repayment plan, under § 668.183(c)(1)(iii).

(2) From the group of borrowers identified under paragraph (d)(1) of this section, the data manager identifies a sample that is large enough to derive an estimate, acceptable at a 95 percent confidence level with a plus or minus 5 percent confidence interval, for use in determining the number of borrowers who should be excluded from the calculation of the cohort default rate due to improper loan servicing or collection.

(e) *Loan servicing records.* Loan servicing records are the collection and payment history records—

(1) Provided to the guaranty agency by the lender and used by the guaranty agency in determining whether to pay a claim on a defaulted loan; or

(2) Maintained by our Direct Loan Servicer that are used in determining your cohort default rate.

(f) *Determination.* (1) We determine the number of loans, included in your representative sample of loan servicing records, that defaulted due to improper loan servicing or collection, as described in paragraph (b) of this section.

(2) Based on our determination, we use a statistically valid methodology to exclude the corresponding percentage of borrowers from both the numerator and denominator of the calculation of your cohort default rate.

(3) Our recalculation of your cohort default rate does not affect the number of borrowers who are considered to be in default due to payments made under the Direct Loan Program's income contingent repayment plan, under the criteria in § 668.183(c)(1)(iii).

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.194 Economically disadvantaged appeals.

(a) *Eligibility.* As described in this section, you may appeal a notice of a loss of eligibility under § 668.187 if an independent auditor's opinion certifies that your low income rate is two-thirds or more and—

(1) You offer an associate, baccalaureate, graduate, or professional degree, and your completion rate is 70 percent or more; or

(2) You do not offer an associate, baccalaureate, graduate, or professional degree, and your placement rate is 44 percent or more.

(b) *Low income rate.* (1) Your low income rate is the percentage of your students, as described in paragraph (b)(2) of this section, who—

(i) For an award year that overlaps the 12-month period selected under paragraph (b)(2) of this section, have an expected family contribution, as defined in 34 CFR 690.2, that is equal to or less than the largest expected family contribution that would allow a student to receive one-half of the maximum Federal Pell Grant award, regardless of the student's enrollment status or cost of attendance; or

(ii) For a calendar year that overlaps the 12-month period selected under paragraph (b)(2) of this section, have an adjusted gross income that, when added to the adjusted gross income of the student's parents (if the student is a dependent student) or spouse (if the student is a married independent student), is less than the amount listed in the Department of Health and Human Services poverty guidelines for the size of the student's family unit.

(2) The students who are used to determine your low income rate include only students who were enrolled on at least a half-time basis in an eligible program at your institution during any part of a 12-month period that ended during the 6 months immediately preceding the cohort's fiscal year.

(c) *Completion rate.* (1) Your completion rate is the percentage of your students, as described in paragraph (c)(2) of this section, who—

(i) Completed the educational programs in which they were enrolled;

(ii) Transferred from your institution to a higher level educational program;

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(iii) Remained enrolled and are making satisfactory progress toward completion of their educational programs at the end of the same 12-month period used to calculate the low income rate; or

(iv) Entered active duty in the Armed Forces of the United States within 1 year after their last date of attendance at your institution.

(2) The students who are used to determine your completion rate include only regular students who were—

(i) Initially enrolled on a full-time basis in an eligible program; and

(ii) Originally scheduled to complete their programs during the same 12-month period used to calculate the low income rate.

(d) *Placement rate.* (1) Except as provided in paragraph (d)(2) of this section, your placement rate is the percentage of your students, as described in paragraphs (d)(3) and (d)(4) of this section, who—

(i) Are employed, in an occupation for which you provided training, on the date following 1 year after their last date of attendance at your institution;

(ii) Were employed for at least 13 weeks, in an occupation for which you provided training, between the date they enrolled at your institution and the first date that is more than a year after their last date of attendance at your institution; or

(iii) Entered active duty in the Armed Forces of the United States within 1 year after their last date of attendance at your institution.

(2) For the purposes of this section, a former student is not considered to have been employed based on any employment by your institution.

(3) The students who are used to determine your placement rate include only former students who—

(i) Were initially enrolled in an eligible program on at least a half-time basis;

(ii) Were originally scheduled, at the time of enrollment, to complete their educational programs during the same 12-month period used to calculate the low income rate; and

(iii) Remained in the program beyond the point at which a student would have received a 100 percent tuition refund from you.

(4) A student is not included in the calculation of your placement rate if that student, on the date that is 1 year after the student's originally scheduled completion date, remains enrolled in the same program and is making satisfactory progress.

(e) *Scheduled to complete.* In calculating a completion or placement rate under this section, the date on which a student is originally scheduled to complete a program is based on—

(1) For a student who is initially enrolled full-time, the amount of time specified in your enrollment contract, catalog, or other materials for completion of the program by a full-time student; or

(2) For a student who is initially enrolled less than full-time, the amount of time that it would take the student to complete the program if the student remained at that level of enrollment throughout the program.

(f) *Deadline for submitting an appeal.* (1) Within 30 days after you receive the notice of your loss of eligibility, you must send us your management's written assertion, as described in the Cohort Default Rate Guide.

(2) Within 60 days after you receive the notice of your loss of eligibility, you must send us the independent auditor's opinion described in paragraph (g) of this section.

(g) *Independent auditor's opinion.* (1) The independent auditor's opinion must state whether your management's written assertion, as you provided it to the auditor and to us, meets the requirements for an economically disadvantaged appeal and is fairly stated in all material respects.

(2) The engagement that forms the basis of the independent auditor's opinion must be an examination-level compliance attestation engagement performed in accordance with—

(i) The American Institute of Certified Public Accountant's (AICPA) Statement on Standards for Attestation Engagements, Compliance Attestation (AICPA, Professional Standards, vol. 1, AT sec. 500), as amended (these standards may be obtained by calling the AICPA's order department, at 1–888–777–7077); and

(ii) Government Auditing Standards issued by the Comptroller General of the United States.

(h) *Determination.* You do not lose eligibility under § 668.187 if—

(1) Your independent auditor's opinion agrees that you meet the requirements for an economically disadvantaged appeal; and

(2) We determine that the independent auditor's opinion and your management's written assertion—

(i) Meet the requirements for an economically disadvantaged appeal; and

(ii) Are not contradicted or otherwise proven to be incorrect by information we maintain, to an extent that would render the independent auditor's opinion unacceptable.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.195 Participation rate index appeals.

(a) *Eligibility.* (1) You may appeal a notice of a loss of eligibility under § 668.187(a)(1), based on one cohort default rate over 40 percent, if your participation rate index for that cohort's fiscal year is equal to or less than 0.06015.

(2) You may appeal a notice of a loss of eligibility under § 668.187(a)(2), based on three cohort default rates of 25 percent or greater, if your participation rate index is equal to or less than 0.0375 for any of those three cohorts' fiscal years.

(b) *Calculating your participation rate index.* (1) Except as provided in paragraph (b)(2) of this section, your participation rate index for a fiscal year is determined by multiplying your cohort default rate for that fiscal year by the percentage that is derived by dividing—

(i) The number of students who received an FFELP or a Direct Loan Program loan to attend your institution during a period of enrollment, as defined in 34 CFR 682.200 or 685.102, that overlaps any part of a 12-month period that ended during the 6 months immediately preceding the cohort's fiscal year, by

(ii) The number of regular students who were enrolled at your institution on at least a half-time basis during any part of the same 12-month period.

(2) If your cohort default rate for a fiscal year is calculated as an average rate under § 668.183(d)(2), you may calculate your participation rate index for that fiscal year using either that average rate or the cohort default rate that would be calculated for the fiscal year alone using the method described in § 668.183(d)(1).

(c) *Deadline for submitting an appeal.* You must send us your appeal under this section, including all supporting documentation, within 30 days after you receive the notice of your loss of eligibility.

(d) *Determination.* (1) You do not lose eligibility under § 668.187 if we determine that you meet the requirements for a participation rate index appeal.

(2) If we determine that your participation rate index for a fiscal year is equal to or less than 0.0375, under paragraph (d)(1) of this section, we also excuse you from any subsequent loss of eligibility under § 668.187(a)(2) that would be based on the official cohort default rate for that fiscal year.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.196 Average rates appeals.

(a) *Eligibility.* (1) You may appeal a notice of a loss of eligibility under § 668.187(a)(1), based on one cohort default rate over 40 percent, if that cohort default rate is calculated as an average rate under § 668.183(d)(2).

(2) You may appeal a notice of a loss of eligibility under § 668.187(a)(2), based on three cohort default rates of 25 percent or greater, if at least two of those cohort default rates—

(i) Are calculated as average rates under § 668.183(d)(2); and

(ii) Would be less than 25 percent if calculated for the fiscal year alone using the method described in § 668.183(d)(1).

(b) *Deadline for submitting an appeal.* (1) Before notifying you of your official cohort default rate, we make an initial determination about whether you qualify for an average rates appeal. If we determine that you qualify, we notify you of that determination at the same time that we notify you of your official cohort default rate.

(2) If you disagree with our initial determination, you must send us your average rates appeal, including all supporting documentation, within 30 days after you receive the notice of your loss of eligibility.

(c) *Determination.* You do not lose eligibility under § 668.187 if we determine that you meet the requirements for an average rates appeal.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.197 Thirty-or-fewer borrowers appeals.

(a) *Eligibility.* You may appeal a notice of a loss of eligibility under § 668.187 if 30 or fewer borrowers, in total, are included in the 3 most recent cohorts of borrowers used to calculate your cohort default rates.

(b) *Deadline for submitting an appeal.* (1) Before notifying you of your official cohort default rate, we make an initial determination about whether you qualify for a thirty-or-fewer borrowers appeal. If we determine that you qualify, we notify you of that determination at the same time that we notify you of your official cohort default rate.

(2) If you disagree with our initial determination, you must send us your thirty-or-fewer borrowers appeal, including all supporting documentation, within 30 days after you receive the notice of your loss of eligibility.

(c) *Determination.* You do not lose eligibility under § 668.187 if we determine that you meet the requirements for a thirty-or-fewer borrowers appeal.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

§ 668.198 Relief from the consequences of cohort default rates for special institutions.

(a) *Eligibility.* You are only eligible for relief from the consequences of cohort default rates under this section if you are a—

(1) Historically black college or university as defined in section 322(2) of the HEA;

(2) Tribally controlled community college as defined in section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978; or

(3) Navajo community college under the Navajo Community College Act.

(b) *Applicability of requirements.* We may determine that the loss of eligibility provisions in § 668.187 and the prohibition against full certification in § 668.16(m) do not apply to you for each 1-year period beginning on July 1 of 1999, 2000, or 2001, if you meet the requirements in paragraph (a) of this section and you send us—

(1) By July 1 of the first 1-year period that begins after you receive our notice of a loss of eligibility under § 668.187—

(i) A default management plan; and

(ii) A certification that you have engaged an independent third party, as described in this section; and

(2) By July 1 of each subsequent 1-year period—

(i) Evidence that you have implemented your default management plan during the preceding 1-year period;

(ii) Evidence that you have made substantial improvement in the preceding 1-year period in your cohort default rate; and

(iii) A certification that you continue to engage an independent third party, as described in this section.

(c) *Default management plan.* (1) Your default management plan must provide reasonable assurance that you will, no later than July 1, 2002, have a cohort default rate that is less than 25 percent. Measures that you must take to provide this assurance include but are not limited to—

(i) Establishing a default management team by engaging your chief executive officer and relevant senior executive officials and enlisting the support of representatives from offices other than the financial aid office;

(ii) Identifying and allocating the personnel, administrative, and financial resources appropriate to implement the default management plan;

(iii) Defining the roles and responsibilities of the independent third party;

(iv) Defining evaluation methods and establishing a data collection system for measuring and verifying relevant default management statistics, including a statistical analysis of the borrowers who default on their loans;

(v) Establishing annual targets for reductions in your cohort default rate; and

(vi) Establishing a process to ensure the accuracy of your cohort default rate.

(2) We will determine whether your default management plan is acceptable, after considering your history, resources, dollars in default, and targets for default reduction in making this determination.

(3) If we determine that your proposed default management plan is unacceptable, you must consult with us to develop a revised plan and submit the revised plan to us within 30 days after you receive our notice that your proposed plan is unacceptable.

(4) If we determine, based on the evidence you submit under paragraph (b)(2) of this section, that your default management plan is no longer acceptable, you must develop a revised plan in consultation with us and submit the revised plan to us within 60 days after you receive our notice that your plan is no longer acceptable.

(5) A sample default management plan is provided in appendix B to this subpart. The sample is included to illustrate components of an acceptable default management plan. Since institutions' family income profiles, student borrowing patterns, histories, resources, dollars in default, and targets for default reduction are different, you must consider your own, individual circumstances in developing and submitting your plan.

(d) *Independent third party.* (1) An independent third party may be any individual or entity that—

(i) Provides technical assistance in developing and implementing your default management plan; and

(ii) Is not substantially controlled by a person who also exercises substantial control over your institution.

(2) An independent third party need not be paid by you for its services.

(3) The services of a lender, guaranty agency, or secondary market as an independent third party under this

section are not considered to be inducements under 34 CFR 682.200 or 682.401(e).

(e) *Substantial improvement.* (1) For the purposes of this section, your substantial improvement is determined based on—

(i) A reduction in your most recent draft or official cohort default rate;

(ii) An increase in the percentage of delinquent borrowers who avoid default by using deferments, forbearances, and job placement assistance;

(iii) An increase in the academic persistence of student borrowers;

(iv) An increase in the percentage of students pursuing graduate or professional study;

(v) An increase in the percentage of borrowers for whom a current address is known;

(vi) An increase in the percentage of delinquent borrowers that you contacted;

(vii) The implementation of alternative financial aid award policies and development of financial resources that reduce the need for student borrowing; or (viii) An increase in the percentage of accurate and timely enrollment status changes that you submitted to the National Student Loan Data System (NSLDS) on the Student Status Confirmation Report (SSCR).

(2) When making a determination of your substantial improvement, we consider your performance in light of—

(i) Your history, resources, dollars in default, and targets for default reduction;

(ii) Your level of effort in meeting the terms of your approved default management plan during the previous 1-year period; and

(iii) Any other mitigating circumstance at your institution during the 1-year period.

(f) *Determination.* (1) If we determine that you are in compliance with this section, the provisions of §§ 668.187 and 668.16(m) do not apply to you for that 1-year period, beginning on July 1 of 1999, 2000, or 2001.

(2) If we determine that you are not in compliance with this section, you are subject to the provisions of §§ 668.187 and 668.16(m). You lose your eligibility to participate in the FFEL, Direct Loan, and Federal Pell Grant programs on the date you receive our notice of the determination.

(Approved by the Office of Management and Budget under control number 1845–0022)

(Authority: 20 U.S.C. 1082, 1085, 1094, 1099c)

Appendix A to Subpart M of Part 668—Summaries of Eligibility and Submission Requirements for Challenges, Adjustments, and Appeals

I. Summary of Submission Eligibility

Some types of appeals may be submitted only if you are subject to a loss of eligibility under § 668.187 or to provisional certification under § 668.16(m). These types of appeals are identified in the following table. Submission deadlines are described in the paragraphs and sections that are cited in the table. For example, although you may submit an uncorrected data adjustment, new data adjustment, or loan servicing appeal if you are subject to provisional certification, the deadlines for those submissions are based on the date you receive your cohort default rate, not the date you receive the notice of your provisional certification.

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	May you submit this type of challenge, adjustment, or appeal...	... if you are subject to... No sanction?	Loss of eligibility?	Provisional certification?
Draft Cohort Default Rate	Incorrect Data Challenges *(§668.185(b))*	Yes	*Sanctions are never based on draft cohort default rates.*	
	Participation Rate Index Challenges *(§668.185(c))*	Yes		
Official Cohort Default Rate	Uncorrected Data Adjustments *(§668.190)*	Yes	Yes	Yes
	New Data Adjustments *(§668.191)*	Yes	Yes	Yes
	Erroneous Data Appeals *(§668.192)*	No	Yes	Yes
	Loan Servicing Appeals *(§668.193)*	Yes	Yes	Yes
	Economically Disadvantaged Appeals *(§668.194)*	No	Yes	No
	Participation Rate Index Appeals *(§668.195)*	No	Yes	No
	Average Rates Appeals *(§668.196)*	No	Yes	No
	Thirty-or-Fewer Borrowers Appeals *(§668.197)*	No	Yes	No

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II. Summary of Submission Deadlines

1. *General.* The deadlines you must meet when submitting a challenge, a request for adjustment, or an appeal are summarized in the following table. The full, official requirements for these deadlines are in § 668.189 and in the sections and paragraphs cited in the table.

2. *Timeframes.* The timeframes provided in the table ("30 Days", "15 Days", etc.) identify the number of calendar days within which that action must be performed. Timeframes begin on the date that the previous action (connected to that timeframe with an arrowed line) is completed:

(i) For *your first action* (and for both actions, during an economically disadvantaged appeal), the timeframe begins on the date that you receive your draft cohort default rate, official cohort default rate, notice of loss of eligibility, or notice of provisional certification.

(ii) For *all other actions,* the timeframe begins on the date you receive the response to your pending request. If you are waiting for responses from more than one data manager, the timeframe begins on the date that you receive the final response from the last data manager.

3. *Dotted borders.* Some actions identified in the table are required only in certain circumstances. For example, if we don't send you a loan record detail report, because your cohort default rate is less than 10 percent, you must request one before you can request an adjustment or appeal. Timeframes for

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actions that aren't always required are identified in the table by dotted borders:

(i) If you *are* required to perform that action, the timeframes begin on the same dates that they would if the timeframe borders were not dotted.

(ii) If you *are not* required to perform that action, the timeframe for your next required action is determined as if the timeframes with the dotted borders were not there. The timeframe for your next required action begins on the date that the last required action was completed.

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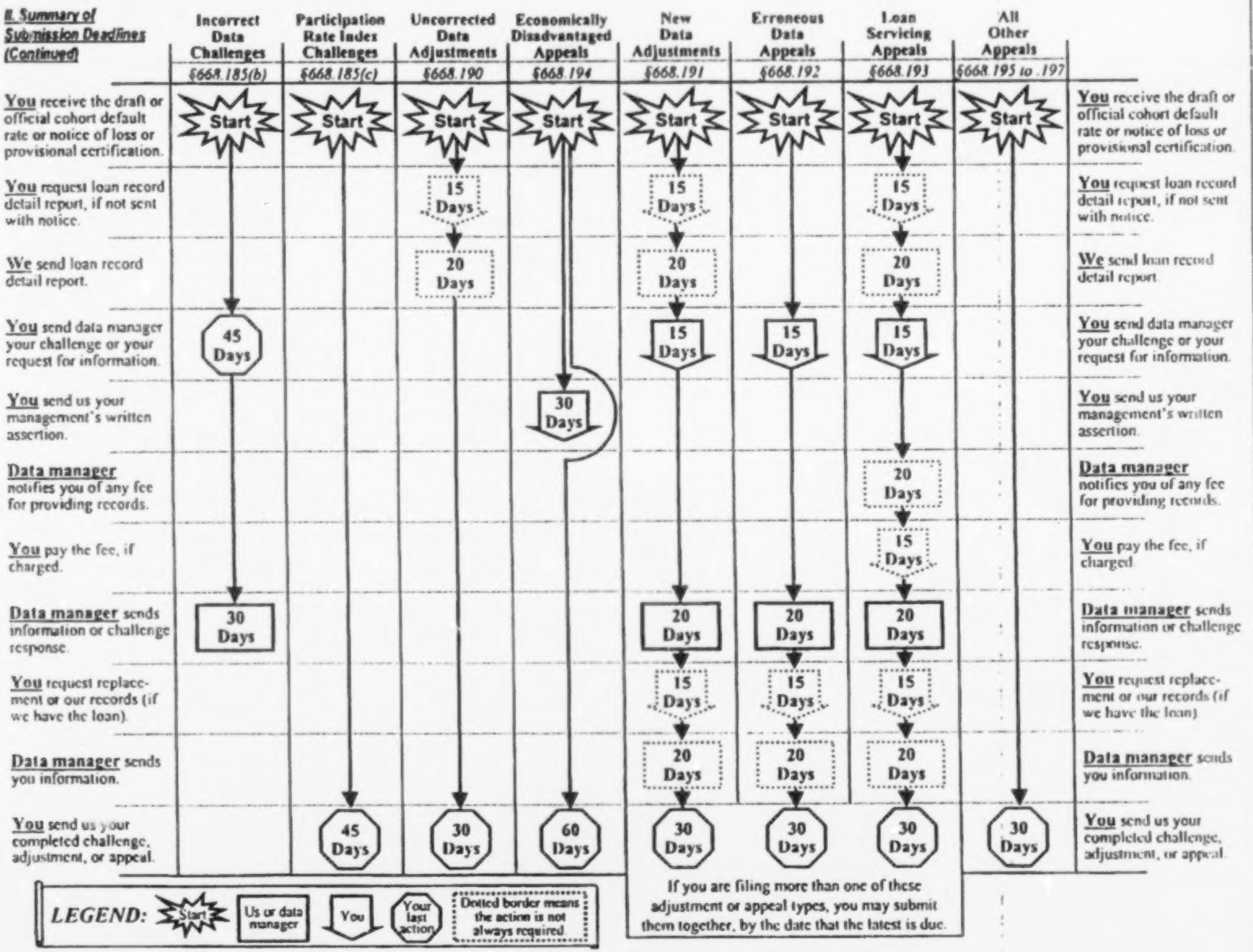

II. Summary of Submission Deadlines (Continued)

	Incorrect Data Challenges §668.185(b)	Participation Rate Index Challenges §668.185(c)	Uncorrected Data Adjustments §668.190	Economically Disadvantaged Appeals §668.194	New Data Adjustments §668.191	Erroneous Data Appeals §668.192	Loan Servicing Appeals §668.193	All Other Appeals §668.195 to .197
You receive the draft or official cohort default rate or notice of loss or provisional certification.	Start	Start	Start	Start	Start	Start	Start	Start
You request loan record detail report, if not sent with notice.			15 Days		15 Days		15 Days	
We send loan record detail report.			20 Days		20 Days		20 Days	
You send data manager your challenge or your request for information.	45 Days				15 Days	15 Days	15 Days	
You send us your management's written assertion.				30 Days				
Data manager notifies you of any fee for providing records.							20 Days	
You pay the fee, if charged.							15 Days	
Data manager sends information or challenge response.	30 Days				20 Days	20 Days	20 Days	
You request replacement or our records (if we have the loan).					15 Days	15 Days	15 Days	
Data manager sends you information.					20 Days	20 Days	20 Days	
You send us your completed challenge, adjustment, or appeal.		45 Days	30 Days	60 Days	30 Days	30 Days	30 Days	30 Days

You receive the draft or official cohort default rate or notice of loss or provisional certification.
You request loan record detail report, if not sent with notice.
We send loan record detail report.
You send data manager your challenge or your request for information.
You send us your management's written assertion.
Data manager notifies you of any fee for providing records.
You pay the fee, if charged.
Data manager sends information or challenge response.
You request replacement or our records (if we have the loan).
Data manager sends you information.
You send us your completed challenge, adjustment, or appeal.

If you are filing more than one of these adjustment or appeal types, you may submit them together, by the date that the latest is due.

LEGEND: Start; Us or data manager; You; Your last action; Dotted border means the action is not always required.

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Appendix B to Subpart M of Part 668—Sample Default Management Plan for Special Institutions To Use When Complying With § 668.198

This appendix is provided as a sample plan for those institutions developing a default management plan in accordance with § 668.198. It describes some measures you may find helpful in reducing the number of students that default on federally funded loans. These are not the only measures you could implement when developing a default management plan. In developing a default management plan, you must consider your history, resources, dollars in default, and targets for default reduction to determine which activities will result in the most benefit to your students and to you.

I. Core Default Reduction Strategies (From § 668.198(c)(1))

1. Establish a default management team by engaging your chief executive officer and relevant senior executive officials and enlisting the support of representatives from offices other than the financial aid office.
2. Identify and allocate the personnel, administrative, and financial resources appropriate to implement the default management plan.
3. Define the roles and responsibilities of the independent third party.
4. Define evaluation methods and establish a data collection system for measuring and verifying relevant default management statistics, including a statistical analysis of the borrowers who default on their loans.
5. Establish annual targets for reductions in your rate.
6. Establish a process to ensure the accuracy of your rate.

II. Additional Default Reduction Strategies

1. Enhance the borrower's understanding of his or her loan repayment responsibilities through counseling and debt management activities.
2. Enhance the enrollment retention and academic persistence of borrowers through counseling and academic assistance.
3. Maintain contact with the borrower after he or she leaves your institution by using activities such as skip tracing to locate the borrower.
4. Track the borrower's delinquency status by obtaining reports from data managers and FFEL Program lenders.
5. Enhance student loan repayments through counseling the borrower on loan repayment options and facilitating contact between the borrower and the data manager or FFEL Program lender.
6. Assist a borrower who is experiencing difficulty in finding employment through career counseling, job placement assistance, and facilitating unemployment deferments.
7. Identify and implement alternative financial aid award policies and develop alternative financial resources that will reduce the need for student borrowing in the first 2 years of academic study.
8. Familiarize the parent, or other adult relative or guardian, with the student's debt profile, repayment obligations, and loan status by increasing, whenever possible, the communication and contact with the parent or adult relative or guardian.

III. Defining the Roles and Responsibilities of Independent Third Party

1. Specifically define the role of the independent third party.
2. Specify the scope of work to be performed by the independent third party.
3. Tie the receipt of payments, if required, to the performance of specific tasks.
4. Assure that all the required work is satisfactorily completed.

IV. Statistics for Measuring Progress

1. The number of students enrolled at your institution during each fiscal year.
2. The average amount borrowed by a student each fiscal year.
3. The number of borrowers scheduled to enter repayment each fiscal year.
4. The number of enrolled borrowers who received default prevention counseling services each fiscal year.
5. The average number of contacts that you or your agent had with a borrower who was in deferment or forbearance or in repayment status during each fiscal year.
6. The number of borrowers at least 60 days delinquent each fiscal year.
7. The number of borrowers who defaulted in each fiscal year.
8. The type, frequency, and results of activities performed in accordance with the default management plan.

Appendix A to Part 668 [Removed]

13. Appendix A to Part 668 is removed.

Appendix B to Part 668 [Redesignated as Appendix A to Subpart B of Part 668]

14. Appendix B to Part 668 is redesignated as Appendix A to Subpart B of Part 668.

Appendix C to Part 668 [Redesignated as Appendix A to Subpart B of Part 668]

15. Appendix C to Part 668 is redesignated as Appendix B to Subpart B of Part 668.

Appendix D to Part 668 [Removed]

16. Appendix D to Part 668 is removed.

Appendix E to Part 668 [Redesignated as Appendix A to Subpart D of Part 668]

17. Appendix E to Part 668 is redesignated as Appendix A to Subpart D of Part 668.

Appendix F to Part 668 [Redesignated as Appendix A to Subpart L of Part 668]

18. Appendix F to Part 668 is redesignated as Appendix A to Subpart L of Part 668.

Appendix G to Part 668 [Redesignated as Appendix B to Subpart L of Part 668]

19. Appendix G to Part 668 is redesignated as Appendix B to Subpart L of Part 668.

Appendix H to Part 668 [Removed]

20. Appendix H to Part 668 is removed.

PART 682—FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM

21. The authority citation for Part 682 continues to read as follows:

Authority: 20 U.S.C. 1071 to 1087–2, unless otherwise noted.

22. In § 682.401, paragraph (b)(15) is revised to read as follows:

§ 682.401 Basic program agreement.

* * * * *

(b) * * *

(15) *Guaranty agency verification of default data.* A guaranty agency must meet the requirements and deadlines provided for it in subpart M of 34 CFR part 668 for the cohort default rate process.

* * * * *

23. In § 682.410, paragraph (c)(1)(i)(C) is revised to read as follows:

§ 682.410 Fiscal, administrative, and enforcement requirements.

* * * * *

(c) * * *

(1) * * *

(i) * * *

(C) Each participating school, located in a State for which the guaranty agency is the principal guaranty agency, that has a cohort default rate, as described in subpart M of 34 CFR part 668, for either of the 2 immediately preceding fiscal years, as defined in 34 CFR 668.182, that exceeds 20 percent, unless the school is under a mandate from the Secretary under subpart M of 34 CFR part 668 to take specific default reduction measures or if the total dollar amount of loans entering repayment in each fiscal year on which the cohort default rate over 20 percent is based does not exceed $100,000; or

* * * * *

§ 682.601 [Amended]

24. In § 682.601, paragraph (a)(6) is amended by removing "§ 668.17" and adding, in its place, "subpart M of 34 CFR part 668".

§ 682.603 [Amended]

25. In § 682.603, paragraph (g) is amended by removing "an FFEL cohort default rate, Direct Loan cohort rate, or weighted average cohort rate" and

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adding, in its place, "a cohort default rate".

§ 682.604 [Amended]

26. Section 682.604 is amended—

A. In paragraphs (c)(5)(i), (c)(5)(ii), (c)(10)(i)(B), and (c)(10)(ii), by removing "an FFEL cohort default rate, Direct Loan Program cohort rate, or weighted average cohort rate" and adding, in its place, "a cohort default rate, calculated under subpart M of 34 CFR part 668,".

B. By removing paragraph (f)(3).

C. By redesignating paragraphs (f)(4) and (f)(5) as paragraphs (f)(3) and (f)(4), respectively.

D. By removing paragraph (g)(3).

E. By redesignating paragraphs (g)(4) and (g)(5) as paragraphs (g)(3) and (g)(4), respectively.

PART 685—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

27. The authority citation for Part 685 continues to read as follows:

Authority: 20 U.S.C. 1087a *et seq.*, unless otherwise noted.

§ 685.301 [Amended]

28. Section 685.301 is amended—

A. In paragraphs (b)(8)(i)(A)(*2*) and (b)(8)(i)(B), by removing "a Direct Loan Program cohort rate, FFEL cohort default rate, or weighted average cohort rate" and adding, in its place, "a cohort default rate, calculated under subpart M of 34 CFR part 668,".

B. In paragraph (b)(8)(ii), by removing "an FFEL cohort default rate, Direct Loan cohort rate, or weighted average cohort rate" and adding, in its place, "a cohort default rate, calculated under subpart M of 34 CFR part 668,".

§ 865.303 [Amended]

29. Section 685.303 is amended—

A. In paragraphs (b)(4)(i)(A) and (b)(4)(i)(B), by removing "a Direct Loan Program cohort rate, FFEL cohort default rate, or weighted average cohort rate" and adding, in its place, "a cohort default rate, calculated under subpart M of 34 CFR part 668,".

B. In paragraph (b)(4)(ii), by removing "an FFEL cohort default rate, Direct Loan cohort rate, or weighted average cohort rate", and adding, in its place, "a cohort default rate, calculated under subpart M of 34 CFR part 668,".

§ 685.304 [Amended]

30. Section 685.304 is amended—

A. By removing paragraph (a)(4).

B. By redesignating paragraphs (a)(5), (a)(6), and (a)(7) as paragraphs (a)(4), (a)(5), and (a)(6), respectively.

C. By removing paragraph (b)(5).

D. By redesignating paragraphs (b)(6) and (b)(7) as paragraphs (b)(5) and (b)(6), respectively.

PART 690—FEDERAL PELL GRANT PROGRAM

31. The authority citation for Part 690 continues to read as follows:

Authority: 20 U.S.C. 1070a, unless otherwise noted.

§ 690.7 [Amended]

32. Section 690.7 is amended—

A. In paragraph (c)(1), by removing "34 CFR 668.17" and adding, in its place, "subpart M of 34 CFR part 668".

B. In paragraph (c)(2), by removing "34 CFR 668.17(b)" and adding, in its place, "34 CFR 668.187".

[FR Doc. 00–27741 Filed 10–31–00; 8:45 am]

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